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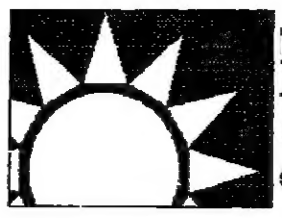

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Europe's Business Newspaper — FRIDAY OCTOBER 8 1993 — D8523A

Swedish banking loans referred for legal scrutiny

The Swedish state prosecution office is to scrutinise SKr37.8bn ($4.7bn) of banking loans for evidence of wrongdoing and bad business practice. A total of 156 cases have been passed to the office by the country's bank inspection board. It is part of the fall-out from Sweden's two-year banking crisis, which has brought more than SKr100bn in credit losses and forced the government to provide a safety net for the entire banking system.

Nato-Russia link: German defence minister Volker Rühe called for the Nato alliance to develop a "new strategic partnership" with Russia, to meet the security interests of Moscow. Page 20

EC airlines plea: European Community airlines and telecommunications groups must be given time to grow stronger before the European market can be opened to full outside competition, according to the EC's competition commissioner. Page 20

Nobel literature prize for Toni Morrison

Author and academic Toni Morrison (left) became the first black American woman to win the Nobel literature prize. The Swedish Academy, awarding the $837,000 prize, said she had displayed in her six novels and numerous essays an epic power and unerring ear for dialogue. Morrison said: "What is most wonderful for me personally is to know the prize has at last been awarded to an African-American." Page 5

Rocard fined for libel: French Socialist party chief Michel Rocard was fined FFr10,000 ($1,760) for libel by a Paris court for accusing far-right leader Jean-Marie Le Pen of torturing Arab prisoners during the Algerian war.

UK tax option: UK chancellor of the exchequer Kenneth Clarke kept open the option of tax increases in his November Budget after containing a threatened rebellion at the Conservative party conference against the imposition of value added tax on domestic fuel. Page 20

Peugeot-Citroen loss: Peugeot-Citroen plunged into a net loss of FFr1.12bn ($193m) in the first half of this year, the French car group announced. It saw no sign of a pick-up in demand. Page 21

Chinese consumer credit: The Chinese will be assessed for creditworthiness under a consumer finance joint venture launched by Orix, the Japanese leasing company. Page 21

Fujitsu joins venture: Fujitsu, the Japanese computer and telecommunications group, and Hyundai Electronics, part of the South Korean Hyundai Business Group, have agreed to collaborate in the manufacture of semiconductor memory chips. Page 6

Roche profits grow: Roche, which has just surpassed Merck of the US to become the world's most highly valued pharmaceutical group, reported an 11 per cent rise in sales in the first nine months of the year to SFr10.7bn ($7.1bn). Page 21

Florida tourist stabbed: A Scottish tourist needed 56 stitches after fighting off knife-wielding muggers as he walked beside a beach in Fort Lauderdale, Florida. He left hospital later.

Croatian troops accused: Croatian government troops shot or burned to death Serb villagers and razed their communities in a well-planned "scorched earth" incursion over a UN ceasefire line last month, UN officials said in Zagreb. Moslem split widens, Page 3

Debt ratings downgraded: Standard & Poor's, the US credit rating agency, has downgraded the debt ratings of Dai-Ichi Kangyo Bank, the most recent in a line of credit downgrades for the big Japanese banks. Page 24

Italian bankers arrested: Three prominent bankers have been arrested on charges of fraudulent bankruptcy relating to the 1991 collapse of Federconsorzi, the powerful Italian agricultural services group. Page 3

Ex-BCCI men in court: Eleven former officers of the Bank of Credit and Commerce International are to appear in court in Abu Dhabi tomorrow to face charges that include forgery, mismanagement and fraud. Page 4

Philips selling US chain: Philips, the Dutch electronics group, will sell its 430 US video and music retail stores to Blockbuster, the US video rental and retail group, for $150m. Page 22

STOCK MARKET INDICES

FT-SE 100:	3092.4	(-8.4)
Yield	3.79	
FT-SE Eurotrack 100	1317.76	(-4.08)
FT-A All-Share	1530.42	(-0.2%)
Nikkei	20,265.63	(-234.62)
New York: lunchtime		
Dow Jones Ind Ave	3596.48	(-2.51)
S&P Composite	460.29	(-0.45)

US LUNCHTIME RATES

Federal Funds:	$2\frac{15}{16}$%
3-mo Treas Bills: Yld	3.024%
Long Bond	$103\frac{11}{32}$
Yield	6.003%

LONDON MONEY

3-mo Interbank	$5\frac{7}{8}$%	($5\frac{15}{16}$%)
Liffe long gilt future:	Dec $113\frac{13}{32}$	(Dec $114\frac{1}{32}$)

NORTH SEA OIL (Argus)

Brent 15-day (Nov)	$17.16	(17.24)

Gold

New York Comex (Dec)	$358.5	(358.2)
London	$357.7	(355.75)

STERLING

New York lunchtime:		
$	1.5235	
London:		
$	1.5225	(1.526)
DM	2.47	(2.4775)
FFr	8.6475	(8.6525)
SFr	2.17	(same)
Y	160.0	(161.0)
£ Index	80.9	(81.0)

DOLLAR

New York lunchtime:		
DM	1.62125	
FFr	5.6785	
SFr	1.42405	
Y	105.05	
London:		
DM	1.623	(same)
FFr	5.68	(5.67)
SFr	1.4255	(1.4225)
Y	105.1	(105.6)
$ Index	65.0	(same)

Tokyo close Y 105.35

Austria	Sch30	Greece	Dr300	Lux	LFr65	Qatar	QR12.00		
Bahrain	Din1.250	Hong Kong	HK$18	Malta	Lm0.60	S.Arabia	SR11		
Belgium	BFr65	Hungary	Ft185	Morocco	MDh13	Singapore	S$4.10		
Bulgaria	Lw25.00	Iceland	IKr215	Neth	Fl 3.75	Slovak Rp	KSL45		
Cyprus	C£1.00	India	Rs40	Nigeria	Naira45	South Africa	R12.00		
Czech Rp	CZK45	Israel	Shk5.90	Norway	NKr16.00	Spain	Pta210		
Denmark	DKr15	Italy	L2700	Oman	OR1.50	Sweden	SKr15		
Egypt	E£4.50	Japan	Y500	Pakistan	Rs35	Switz	SFr3.20		
Finland	FM12	Jordan	JD1.50	Philippines	Pso45	Syria	S£50.00		
France	FFr9.00	Kuwait	Fils.600	Poland	Zl 22,000	Tunisia	Din1.250		
Germany	DM3.30	Lebanon	US$1.25	Portugal	Es215	Turkey	L8000		
						UAE	Dh11.00		

Satellite TV industry under threat from pirates

By Raymond Snoddy, Tim Coone and Richard Donkin in London

SATELLITE television broadcasters in the US and Britain and Hollywood studios are joining forces to fight a potentially serious threat from satellite pirates to their business.

The Motion Picture Export Association of America, which represents the Hollywood studios, and satellite broadcasters have produced a draft directive they wish the European Commission to adopt to outlaw piracy throughout the Community.

Manufacturing and distribution of unauthorised decoders is a criminal offence in the UK and France, but not in most countries of the EC.

Unauthorised decoders which unlock the scrambled pictures on subscription channels are being openly advertised in magazines throughout Europe are now available in the UK.

The increasing threat from the satellite pirates comes only weeks after British Sky Broadcasting launched its multi-channel subscription package in the UK with considerable fanfare orchestrated by Mr Rupert Murdoch, chairman of The News Corporation.

The Financial Times has tracked the pirates and their unauthorised "smart cards" that unlock the BSkyB movie and sports channels from Bochum in Germany to the village of Ballyegan in Ireland and on to Warrington in northern England where the cards are being openly advertised for sale.

Mr David Lyons, who runs Satellite Decoder Systems, which operates in both Ballyegan and Warrington, last night demonstrated one of his cards in the Coachman's Inn pub outside Dublin airport.

The picture quality was indistinguishable over a 40 minute period from that provided by the Sky card which is normally used in the bar's television system.

Mr Frank Barlow, chairman of BSkyB, last night conceded that "obviously there are going to be attempts at piracy from time-to-time."

"BSkyB will use all methods, legal and technological to counter this problem." Mr Barlow added. BSkyB is a consortium in which Pearson, owners of the Financial Times has stake.

Continued on Page 20

Russia lays plans for reforms after poll

By John Lloyd and Leyla Boulton in Moscow

RUSSIAN ministers are preparing plans for new reforms beginning next year, on the assumption that a radical, pro-market government will be formed after parliamentary elections set.

Reformers believe that candidates identifying themselves with President Boris Yeltsin will win in the polls after the smashing of the Russian parliament and the assertion of strong presidential authority.

"Tanks shelling the White House is a much bigger argument than any other," said Mr Sergei Vassiliev, head of the economic reform centre. "For ordinary people it is not felt to be so bad that there is a strong man in the Kremlin once more. I think we will get a parliament in December which is not bad from the point of view of reform."

Mr Boris Fyodorov, the deputy prime minister of finance, agreed that "after the tanks we found relations with the regional people suddenly got much better".

Mr Yeltsin yesterday continued to move against his political opponents, banning the Constitutional Court until a new constitution is adopted and issuing a further decree banning Moscow City Council. Security forces arrested Mr Viktor Anpilov, leader of the Labouring Russian group and a leader of the attack on the Ostankino television centre on sunday.

As troops and policemen killed in the battles were buried with full state and religious ceremonies, Mr Yeltsin promised to banish the spectre of "communist fascism" from the country, and said: "Russia, its people and its leaders must learn a solemn lesson from this tragedy and do everything in their power so that it cannot happen again."

The provisional death toll in two days of fighting stands around 170 after the discovery of a further 49 bodies in the White House, according to Mr Viktor Yerin, the interior minister.

Some regional councils – as in Vladivostok – have responded to Mr Yeltsin's call to dissolve themselves but others are likely to object strenuously.

The optimism in the reformers' camp is based partly on the perceived success of Russia's Choice, the liberal-conservative electoral bloc formed under the leadership of Mr Yegor Gaidar, first deputy prime minister.

Mr Vassiliev said that "the Gaidar bloc has a good chance now to get around 40 per cent in the state Duma" (the lower house of the proposed new federal assembly, the only one for which elections are to be held).

Mr Vassiliev and his colleagues are working on an economic plan for next year, which would attempt to stabilise the currency as soon as a new government took office with the aid of international Monetary Fund.

The economic plan includes a new tax regime, being developed by Mr Fyodorov, devolving taxation powers to the regions and republics, in the hope of constructing a system which can

Continued on Page 20
Further reports, Page 2

People's party attempts to win minority support amid political uncertainty

Bhutto set to take power in Pakistan

By Stefan Wagstyl in Islamabad and Farhan Bokhari in Karachi

Associated Press

Benazir Bhutto, beneath a portrait of her father, the late Zulfikar Ali Bhutto, claims the election victory

MS BENAZIR BHUTTO, claiming a victory in Pakistan's general election which would return her to power after a three-year gap, was last night trying to form a minority government amid continuing uncertainty about the country's political future.

Ms Bhutto's Pakistan People's party won 86 seats in Wednesday's poll for the 217-seat national assembly, emerging as the largest party but failing to win a majority. Mr Mohammed Nawaz Sharif, Pakistan Moslem League leader, who supplanted her as prime minister in 1990, won 72. The rest were mostly shared by Islamic and provincial parties, religious minority groups and independents.

To take power, Ms Bhutto needs the support of about 25 independent and minority party members, who tend to back the government in return for political and financial favours.

Mr Sharif refused to concede defeat, insisting: "I am confident that with the help of other smaller parties and independent members the PML can muster sufficient support to form a government at the centre." But his chances were thought to be remote compared to Ms Bhutto.

The next test for all parties is tomorrow's provincial elections. Attention will focus on Punjab, the most populous province, where Mr Sharif is thought likely to win and so prove a thorn in the side of the new government.

Ms Bhutto's success in the third general election in five years follows months of political turmoil which culminated in the resignation of Mr Sharif's government in July. The interim government has pledged to transfer power to a new administration on October 19.

The lack of an overall majority is likely to hamper efforts to achieve political stability. The recent upheavals have hurt business confidence and Pakistan's prospects of attracting foreign trade and investment.

Businessmen in Karachi said yesterday they were glad the election was over, even though Ms Bhutto rather than Mr Sharif, their favourite, had emerged with the most seats.

As expected, Ms Bhutto did well in the southern province of Sind, her home territory, while Mr Sharif swept urban districts of Punjab province, his power base. Ms Bhutto's victory depended crucially on success in the cotton-growing belt of southern Punjab, where Mr Sharif lost support due to disenchantment with his economic policies, including recent rises in fertiliser prices.

Ms Bhutto claimed that vote-rigging had robbed her of an overall majority, though she made no specific allegations and there was no independent support for her view.

Second bite at the apple, Page 18

Taiwanese doubts growing over worth of BAe venture

By Daniel Green in London

BRITISH AEROSPACE'S efforts to salvage its proposed joint venture to produce regional aircraft in Taiwan appeared to be in further trouble yesterday as a senior Taiwanese official said the government would take no further direct part in the negotiations.

It also emerged yesterday that basic differences over the deal separate the two sides.

Mr Wang Chieh-min, director-general of the Industrial Development Bureau, part of Taiwan's industry ministry, told state radio that the government would no longer involve itself directly in negotiations between Taiwanese companies and foreign aerospace companies.

The government's function should be to improve the investment environment, he said, with other tasks left to the companies involved.

The latest move, however, may reflect serious divisions in Taipei over the value of such a deal.

The crucial difference between the two sides, according to negotiators, is that BAe will not give a long term commitment to the project.

Taiwan is insisting that BAe commit not just to selling the RJ series of regional jets but develop the next generation of aircraft which analysts suggest could cost £1bn ($1.5bn).

BAe refuses to give such a commitment until the deal is signed and market research shows there is a viable market.

Sources close to BAe claim the company broke off talks last month because "there was no real co-ordination on the Taiwanese side. They didn't come with authority". If the deal collapses it would cost BAe £300m and undermine its attempts to restore full profitability.

In the past three months, the Taiwanese government has played a formal role in reconciling differences between BAe and its proposed partner, Taiwan Aerospace Corporation. The government wants to enter the civil aerospace industry as part of its industrial policy. However, the deal has stirred political controversy in Taiwan on commercial grounds.

The deal involves Taiwan injecting £120m cash into BAe's lossmaking regional jet business. Industry analysts suggest that BAe's existing aircraft, designed in the 1970s, is not ideally suited to the south-east Asian market because of its limited range and passenger capacity.

BAe has spent this week trying to restart the talks for the week starting October 18. The next TAC board meeting, at which the future of the joint venture will be discussed, takes place on October 19. Coincidentally, UK trade minister Mr Richard Needham is due to visit Taiwan the following day.

BAe said yesterday it was still in frequent contact with the Taiwan government, which continued to back the deal. However, it acknowledged that some of the deal's supporters on the TAC board had lost some of their power in recent weeks. Mr Denny Ko, who signed the original deal in January with Mr John Cahill, BAe's chairman, stepped down as TAC's president last month.

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NEWS: EUROPE

Confusion rules as Yeltsin takes scythe to soviets

By Leyla Boulton in Moscow

PRESIDENT Boris Yeltsin's plans to reform the system of soviets – the law-making councils in every village, town, district and region of Russia – yesterday touched off a mixture of anger, bewilderment, and resignation in the regions.

The soviets system was developed by Lenin under the slogan "All Power to the Soviets". They had no real power under communism but, in more recent times, have clashed increasingly with parallel executive bodies known as administrations.

The frightening sight of tanks pounding the Russian parliament has come as a clear warning to the soviets, many of which had backed Mr Ruslan Khasbulatov, parliamentary speaker, in his power struggle with Mr Yeltsin.

Taking the hint, some have begun to discuss their own dissolution. "Everybody understands that we must end this theatre of the absurd," said Mr Vitaly Turkov, a spokesman for the Vladimir province council just east of the capital.

Mr Vasily Cherepanov, deputy chief of the Perm council, said relations with the regional administration had been soured by the power struggle in Moscow and that his council would no doubt vote to dissolve itself. However, he did not think any new council system would last long because Mr Yeltsin would find in it a new "enemy" to blame for worsening economic problems.

A spokesman for the Chelyabinsk council, which appointed its chief as head of the administration in defiance of another governor appointed by Mr Yeltsin, hit out at the president's "violation of human rights".

Although made from such a clear position of strength, Mr Yeltsin's announcement on Wednesday of impending changes also posed more questions than it answered.

Most officials of the soviets agree they need reforming, saying for a start that regional soviets need to be cut back from 200 members to 10-15. They also agree they should not be involved in the day-to-day running of the regions. But nobody has yet spelt out what should replace them, nor is it clear whether all but the regional and some city soviets, would be abolished.

Mr Vyacheslav Tyabotin, spokesman for the Novosibirsk regional administration, whose governor was sacked on Tuesday for opposing Mr Yeltsin's dissolution of parliament, said he believed a single regional soviet would be sufficient for Novosibirsk.

He cited as absurd the existence of a soviet in even the smallest village. "Endless contradictions in some soviets have turned many of them into big talking shops," he said. But he and many others warned that haste in electing new councils in December, as Mr Yeltsin suggested, would bungle the reform of local government.

Deputy prime minister Sergei Shakhrai, who specialises in regional and constitutional issues, has threatened to resign because, fearing a power vacuum, he wants gradual reform of soviets after a new national parliament is created.

The reform of the soviets also has a direct bearing on attempts to transform Russia into a genuine federal state. Republics such as Bashkortostan, which sees its soviet as the national parliament, insisted that any reform must be decided together with federation members.

Mr Yeltsin's announcement also leaves in the air how the upper chamber of a new Russian parliament would be formed. His initial plan was for it be to be a Federation Council comprising leaders of each region's administration and council. But Mr Nikolai Ryabov, head of the central electoral commission, said yesterday a lower chamber could be elected in December, and formation of an upper chamber decided later.

Hard words in prospect on debt

By Quentin Peel in Bonn

NEGOTIATIONS to reschedule at least $26bn of Russia's debts to western commercial banks opened in Frankfurt yesterday, as a top Russian minister indicated that he would seek more generous terms.

The "London Club" of some 600 commercial bank creditors, represented by a committee chaired by Germany's Deutsche Bank, have offered a 15-year rescheduling arrangement. It involves a five-year grace period, and then repayment over a further 10 years.

As preliminary talks opened yesterday, led by Mr Andrei Vavilov, the first deputy finance minister on the Russian side, a statement was released in Moscow saying Russia could not afford the $6bn due to both commercial bank and official creditors next year.

Mr Alexander Shokhin, the deputy prime minister in overall charge of relations with international institutions, said the government was "calling on its official and commercial bank creditors to consider another restructuring scheme more acceptable to Russia".

Mr Shokhin, who is due in Frankfurt today to head the Russian team, said Moscow could only afford to pay $2.5bn of debt servicing in 1994.

The Russian government was divided on the issue, with some ministers favouring a debt write-off. But opinion has now swung behind Mr Boris Fyodorov, finance minister, who believes Russia can and must manage to service its rescheduled debts.

The Russian delegation is likely to meet a tough attitude from the western bankers, who believe Russia has considerably more foreign exchange than the $6bn reserves held by the central bank. Mr Georg Krupp, the Deutsche Bank director responsible, suggested recently that Russian banks held up to $10bn outside the country, and enterprises a further $20bn.

Moscow has already agreed a rescheduling arrangement with the Paris Club of official government creditors, involving some $15bn of the $37bn they are owed.

The commercial banks are owed an estimated $37.5bn, including a backlog of $1.5bn accumulated for 1993 alone. So far this year, the debt has been subjected to repeated 90-day roll-over agreements, which the new deal would replace.

Yet to negotiate an arrangement with Moscow is the group of unsecured trade creditors, owed some $12bn.

When the recent backlog of payments is included, total Russian debt is now estimated at around $80bn.

Tough battle for the spoils of patronage

Kerin Hope takes a local look at some of the campaign's issues

GREEK ELECTIONS

IF GREECE'S opposition Panhellenic Socialist Movement wins the general election on Sunday, several hundred new jobs will be created in Lavrion, a port south of Athens where some 70 per cent of the workforce have been made redundant in the past three years.

If the ruling New Democracy party, lagging in the polls, manages to scrape back in, the feud between a conservative government and socialist local administration will continue, deterring new businesses from arriving.

The election campaign is being fiercely fought in Lavrion, a town that exemplifies problems a new government must address: disinvestment, increasing reliance on the black economy and intense political interference that blocks administrative reform.

Issues that have dominated the campaign, such as the ballooning public debt, Greece's ability to handle the EC presidency next year and, in recent days, the outlook for talks with Macedonia, can arouse strong reactions.

However, in Lavrion argument is just as passionate over the town's efforts to secure its share of the public investment budget. Competition is strong for the spoils of Greece's patronage system, distributed for the most part to the governing party's political allies.

"We've had a funding squeeze and public works projects moved very slowly. Things will pick up a good deal here if Pasok comes back," said Mr Panayotis Bafilas, deputy mayor.

The conservatives claim they kept their 1990 election promises, improving the road from Athens and building a workers' housing estate.

However, the town has lost almost 20 per cent of its residents since several large companies, including two textile producers, a ceramics manufacturer and a yacht-builder, shut down. A bigger blow to Lavrion would be the loss of a $600m project to build a power station. If the conservatives win the election, it will be built in central Greece instead.

"We get by, thanks to the black economy, with people working in the building trade for illegal summer homes, or by commuting to jobs closer to Athens. But there aren't many jobs for women so family incomes are down," said Mr Demosthenes Mourelatos, an electronics technician.

The effects of recession, blamed on the conservatives' stabilisation policy, together with their commitment to privatising public utilities and shutting loss-making industrial companies under state control, have undermined New Democracy's chances of winning a second term.

Polls show Pasok holding a steady lead of between three and five percentage points, which would translate into an overall majority of about 12 seats in the 300-member parliament.

Mr Constantine Mitsotakis, the conservative prime minister, has managed to make a dent in Pasok's support by energetically touring the countryside. This was done to point up the contrast with Mr Andreas Papandreou, the socialist leader, whose health is too frail to allow him more than a few carefully stage-managed campaign appearances.

Given that the prime minister is expected to take personal responsibility for a multitude of minor decisions, even socialist voters doubt whether Mr Papandreou can withstand the stress of the job.

However, Mr Mitsotakis's personal approval rating has continued to decline throughout the campaign. New Democracy candidates have tried to distance themselves from a leader perceived as serving the interests of his extended family and close business associates.

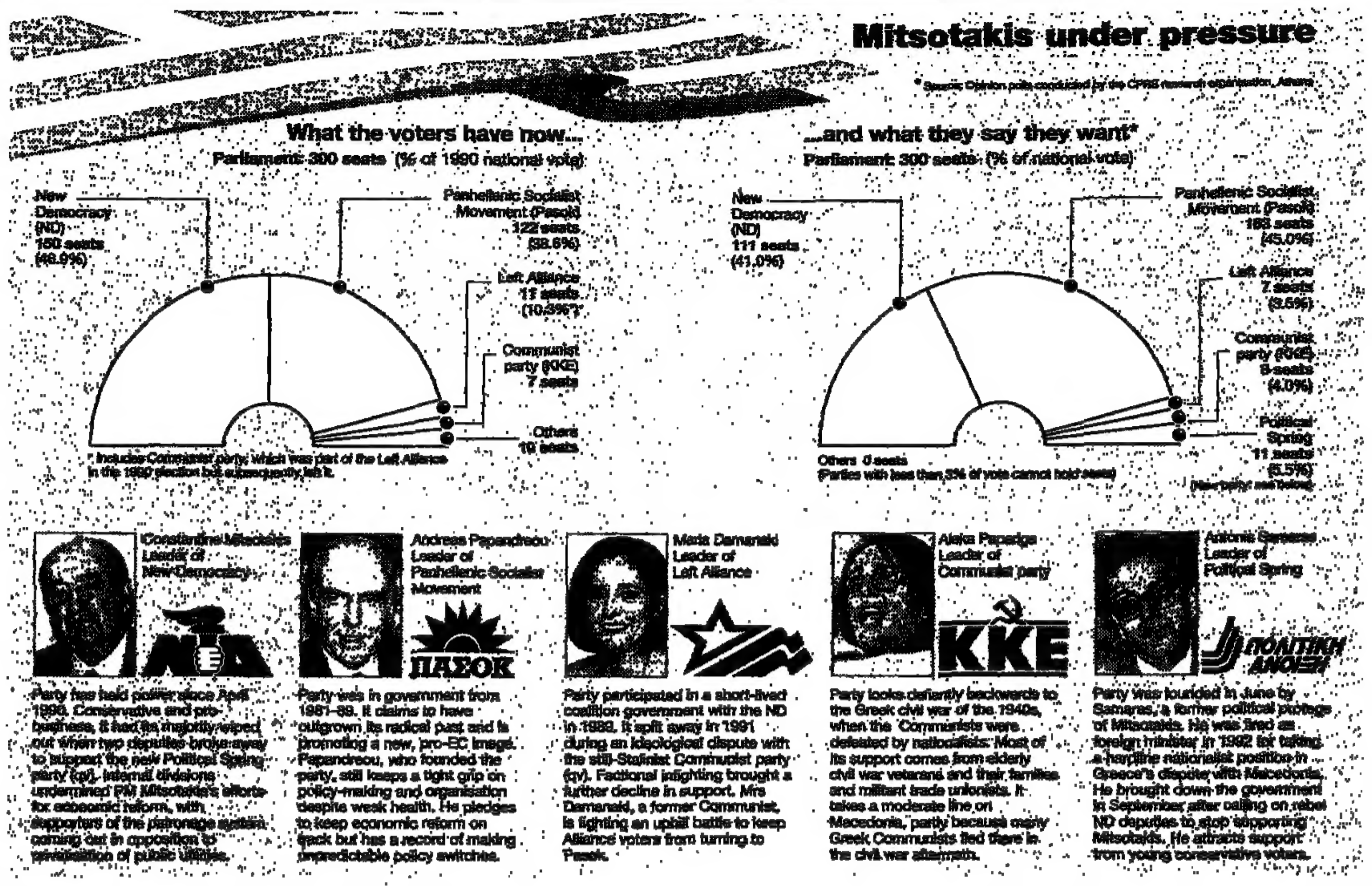
Yet if the conservatives are defeated Mr Mitsotakis can safely blame Mr Antonis Samaras, the former foreign minister, who brought down the government last month by persuading a handful of rebel conservative deputies to defect to his newly founded party, Political Spring.

Political Spring is expected to win about 4 per cent of the vote, taking support almost exclusively from New Democracy.

Mr Samaras, whose hardline nationalist proclamations sit uneasily with his calls for modernising Greek institutions, is expected to get most of his votes in large urban centres. In the countryside angry New Democrats have pelted him with eggs, calling him a "traitor".

Two small left-wing parties, Left Alliance, which has been losing voters to Pasok, and the Greek Communist Party, supported by unreconstructed Stalinists, are also forecast to win around 4 per cent.

Mr Mitsotakis, 75, says he will resign the party leadership and retire if he loses power. That would leave Mr Papandreou, his political rival for more than 30 years, free to prepare for his own retirement and bring the long-awaited transfer of power to younger politicians within reach.



UN mediator hopes to bring warring parties together

Georgian side ready for talks

By Frances Williams in Geneva

THE GEORGIAN government has agreed to attend peace talks in Geneva which will try to find a political settlement to the bloody civil war between government forces and separatists from the western region of Abkhazia.

Mr Edouard Brunner, the Swiss diplomat who is mediating the peace talks on behalf of the United Nations, said yesterday the Georgian side was ready to come to Geneva "in the next few days". He hoped subsequently to get both parties around the same table, along with Russia which, he said, had a "legitimate interest" in the outcome.

Leaders of the self-proclaimed Abkhazian government yesterday concluded two days of talks with Mr Brunner in Geneva. Mr Anri Djergeniya, its attorney general, told a news conference that his delegation was ready to "have a dialogue" with the Georgian government. "That's why we're here."

Mr Djergeniya made clear that the Abkhazian leadership was not insisting at the outset on full independence from Georgia. He said this would be for the people to decide, once emotions had cooled and some stability had returned to the war-ravaged region.

Mr Brunner said later that, despite their military success, the Abkhazians were realistic enough to know that they might have to moderate their political demands.

The Geneva peace talks were postponed twice last month because of the renewed fighting in Abkhazia which left the rebels in control of the disputed region.

These hostilities have now ended. However, the Georgian government is facing another armed challenge from insurgent forces supporting the ousted president, Mr Zviad Gamsakhurdia.

Aid agencies say an estimated 200,000 refugees fled Abkhazia during last month's fighting, which shattered a Russian-brokered ceasefire agreed on July 27. The Georgian government has appealed for helicopters to evacuate up to 50,000 people trapped in the Caucasus mountains where many are already said to have died from cold and hunger.

Mr Djergeniya said yesterday that all refugees, of whatever nationality, were welcome to return home. He blamed reported acts of violence by Abkhazian soldiers against ethnic Georgian civilians as the work of "criminals".

Mr Brunner said he had been assured by the Abkhazian delegation that such acts would be sternly dealt with and that 2,000 criminal cases were already pending.

Swedish banks' bad loans investigated by prosecutor

By Christopher Brown-Humes in Stockholm

THE Swedish state prosecution office is to scrutinise SKr37.8bn ($4.7bn) of bad banking loans for evidence of wrong-doing and poor business practice.

A total of 156 cases have been passed over to the office by the country's finance inspection board for further scrutiny following its own investigations.

The amount is equivalent to 5 per cent of the total lending of all the banks examined, up until December 31 1992, in the investigation into the bad loans.

The move is part of the fall-out from Sweden's two-year banking crisis, which has brought more than SKr100bn in credit losses and forced the government to provide a safety net for the entire banking system.

The finance inspection board stressed that only some of the cases handed over could be expected to lead to deeper scrutiny by the prosecutor's office. It said it was impossible to calculate the exact amount at this stage.

But the finance inspection board said there was evidence of some loans being obtained by deception, and instances of loans being granted when it was clear that the receiver could face repayment difficulties.

The investigation has covered all Swedish banks which have sought or received state aid, including Skandinaviska Enskilda Banken, the leading commercial bank, Gota Bank, Nordbanken, Sparbanken Första, and Föreningsbank.

In the first instance, the investigation has concentrated on credit engagements dating from 1990, which have caused many of the banks' biggest losses.

The size of the bad loans being investigated varies from SKr15m to more than SKr1bn.

Sweden's banking crisis is mainly related to the collapse of the real estate market.

It has resulted in two of the country's leading commercial banks, Gota Bank and Nordbanken, coming under state ownership.

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NEWS: EUROPE

Modest fall in German jobless rate

By Ariane Genillard in Bonn

WEST German unemployment fell by only a modest 0.1 per cent last month in spite of expectations that economic activity would pick up after the summer break.

The number of people out of work in west Germany last month was 2.3m, down 26,800 on August. The unemployment rate fell from 7.5 per cent in August to an unadjusted 7.4 per cent. This compares with a 5.8 per cent rate in September last year. "The reduction in the number of employed people has continued unabated until now," Mr Bernhard Jagoda, president of the federal labour office, said.

However, the number of people put on short-time work again increased, jumping by nearly 200,000 to 590,400 last month, and on an adjusted basis the number out of work rose to 2.38m from 2.34m in August. Short-time workers are defined as employees who stay on their companies payrolls but work less than the normal 38 hours a week. Part of the salary is covered by the federal labour office.

In eastern Germany, the unemployment rate fell slightly from 15.4 per cent in August to 15.2 per cent last month. The number of people out of work in the east is now 1.1m. The number on short-time work remained unchanged at about 143,000, which is some 100,000 more than the same time last year.

The figures confirmed warnings by economists that the recession was lasting longer than expected because of continuing low domestic demand. Leaders of German business associations have been cautioning against government statements forecasting recovery in the coming months.

Meanwhile, the number of people in job creation schemes continued its steady decrease. The federal labour office, faced with a growing deficit now standing at DM27bn (£10.9bn), stopped creating new state-subsidised schemes earlier this year. Just over 39,000 people were in job creation schemes in the west, nearly half the number recorded in the same month a year ago. In eastern Germany, 1.4m people were in retraining programmes, down from 1.8m last year.

The labour office said it had saved DM400m in the last six months after introducing stricter controls over recipients of unemployment benefits.

Bosnian Moslem split widens

Laura Silber reports on how Serbs and Croats are managing to drive a wedge between Moslem regional bosses and the Sarajevo presidency

Reuter

Bosnia's President Izetbegovic with his UN envoy Mohamed Sacirbey in New York before addressing the General Assembly

CONVINCED that fighting between Moslems in north-western Bosnia will finalise the republic's two-way partition, Serb and Croat leaders observe the escalating violence with barely concealed delight.

They see the first intra-Moslem clashes as proof that the process of fragmentation is unstoppable. There is slim chance, they believe, for Bosnian President Alija Izetbegovic to build his own mostly Moslem state on the ashes of multi-ethnic Bosnia.

Fighting erupted after Mr Fikret Abdic, the undisputed leader in the north-west region, declared autonomy for this densely populated Moslem heartland. The proclamation prompted Mr Izetbegovic to order Bosnian army troops to stop the rebellion.

In an attempt to stop his would-be mini-state further disintegrating, Mr Izetbegovic addressed the United Nations General Assembly in New York yesterday where he protested that Bosnia was being subjected to "political vivisection".

Mr Abdic's declaration of autonomy in the Bihac pocket was the outcome of 18 months of war. It was encouraged by Serb and Croat nationalists. Mr Abdic also was keenly aware of tactical backing from the international community. Mediators Lord Owen and Mr Thorvald Stoltenberg, frustrated by the intransigence of Mr Izetbegovic, have made no secret of their admiration for Mr Abdic as a leader ready to make a deal on the republic's partition and buy peace at any price.

The envoys re-invented Bosnia's collective presidency. At the Geneva talks they used Mr Abdic to weaken Mr Izetbegovic. On points where Mr Izetbegovic was particularly vulnerable, Mr Abdic proved ready to accept Serbian and, especially, Croat demands.

Croatia over the past few months has boldly promoted Mr Abdic. Soon after Croatian state media launched his propaganda assault on Mr Izetbegovic, Mr Abdic announced his break with Sarajevo in the apparent first step towards joining Croatia.

Even before the war, the region, because of its geographical proximity to Zagreb, had closer economic ties with the Croatian capital than with Sarajevo. In the shattered Bosnian capital, Mr Abdic counts for little.

However, he is a hero in his fiefdom, surrounded by Serb rebels in Bosnia and neighbouring Croatia.

He is credited by his admirers for using his political cunning to ensure the survival of his enclave, which has escaped the devastation wrought on the rest of Moslem-held Bosnia. But his detractors say calculating Serbs and Croats are waiting to gobble up the region, intact, later.

In the Bihac area, named after the biggest town, Mr Abdic is revered for enriching this poor region by building up Agrokomerc, an agro-industrial plant.

His popularity soared after a stint in jail in 1987 for issuing $300m (£198.6m) in unbacked promissory notes. His opponents call him a white-collar crook while fervent supporters claim he was framed. While fighting between the Bosnian army and troops loyal to Mr Abdic continues, he boasts, according to the Belgrade daily newspaper Politika, that "Izetbegovic's state is defeated in western Bosnia and it will be defeated in Tuzla and in other parts of Bosnia."

Bosnian Serb leaders over the past month have leaked reports of talks with Mr Selim Beslagic, mayor of Tuzla, the largest Bosnian stronghold in the north. They gloat about "signals" from Tuzla that the Moslem region is also preparing to break away but to join Greater Serbia.

The international mediators appear to have taken an interest in Mr Beslagic, stepping up their contacts with him over the summer. Bosnian Serb chieftain Radovan Karadzic repeatedly claims he has messages from European capitals expressing opposition to a Moslem state in Europe.

If Tuzla, too, under pressure of the war and the Serb stranglehold, declares autonomy from Sarajevo, Bosnia will be divided between Serbia and Croatia, with nothing left for the Moslems but assimilation or migration.

French parliament hails return of a Bourbon

By David Buchan in Paris

A BOURBON – King Juan Carlos of Spain – was back yesterday in the Palais Bourbon, as the classical building which houses France's national assembly on the banks of the Seine was once known.

The stir caused by the presence of the Spanish monarch, himself a descendant of Louis XIV, in the French parliament was nothing to do with any royalist revanchism or indeed what King Juan Carlos said; he delivered a 30-minute eulogy on the good state of French-Spanish relations.

The controversy, rather, centred on the fact that Mr Philippe Séguin, the maverick Gaullist president of the national assembly, had had the temerity to invite, off his own bat, King Juan Carlos to be the first foreign leader to address the French parliament since President Woodrow Wilson in 1919.

As far as the government and the Foreign Ministry in particular, are concerned, the legislature is straying dangerously into the executive's foreign policy patch. Yet Mr Séguin, who is campaigning to enhance the image of what is one of Europe's weakest legislatures, called the king's visit "a great day" for parliament. Mr Séguin won praise from flattered MPs of all sides for pulling off his "Juan Carlos" coup, but many deputies are less than pleased by his other moves to make their legislature more business-like. In order to increase flagging attendance, Mr Séguin has for instance forbidden individual deputies to cast electronic votes for absent colleagues, as they had freely done so in the past.

President François Mitterrand himself shares some of Mr Séguin's aims, having proposed last spring that the constitution should be changed to give parliament more time and scope to organise its business.

But the Balladur government wanted to limit such a constitutional change. It now finds, however, the other part of the legislature - the Senate which is not even directly elected - is taking a leaf out of Mr Séguin's book. It has invited Chancellor Helmut Kohl to address it next week.

Legal moves on waste recycling

GERMANY'S ambitious recycling programme for packaging waste faced a new obstacle yesterday after a large dairy company filed a supreme court suit seeking to undermine its key requirements, Reuter reports from Bonn.

A spokeswoman for Alois Müller, a Bavarian dairy company, said the Constitutional Court in Karlsruhe had said it would hear the case. "We have been told verbally the case will be accepted, but we do not have an official written confirmation yet," said spokeswoman, Mrs Marita Rehbein, of Alois Müller's legal department. However, a spokesman for the court said he believed a decision on the case was still pending.

The case is the latest gesture of opposition to the programme run by a private company, Duales System Deutschland (DSD), which has been criticised by Germany's federal cartel agency and which narrowly escaped a financial crisis this summer. Alois Müller's challenge also echoed mounting calls from industry and environmental experts, including government members of parliament, for incineration to be given a greater role in flattening the mounting dumps.

Alois Müller, which uses mainly plastic containers for milk products it distributes nationally, is challenging a strict 1990 recycling ordinance that requires the private sector to recycle rather than burn or dump most throw-away packaging. "The main point for us is that incineration must be allowed as an alternative to recycling," Mrs Rehbein said.

She acknowledged it would probably take the court years to reach a decision because of a backlog in cases.

Alois Müller's challenge would undermine a clause of the ordinance which requires 80 per cent of disposable packaging made of plastic, cardboard, paper or metal to be collected and 80 per cent of that to be recycled – provisions that will take effect in 1994.

Under pressure from the new rules, the three sectors involved – packaging makers, retail businesses and waste management companies – last year set up a national network for collecting the waste from homes and recycling it.

Italian bankers on fraud charges

By Robert Graham in Rome

THREE prominent bankers have been arrested on charges of fraudulent bankruptcy relating to the 1991 collapse of Federconsorzi, the powerful Italian agricultural services group.

Federconsorzi was forced into liquidation in May 1991 with outstanding debts of L4,200bn (£1.74bn). These are the first arrests connected with the affair, which caused widespread friction with foreign creditors over full repayment of debts contracted by the agricultural services group.

Those arrested yesterday were Mr Paolo Bambara, the Federconsorzi chief executive, and Mr Rosario Corso, a senior member of the management of the leading state-controlled bank, Credito Italiano. It was revealed yesterday that a week ago police arrested Mr Paolo Lorenti, the financial director of Federconsorzi.

The charges allege that these men abused their positions when Federconsorzi was on the brink of collapse, ensuring that certain bank loans were reimbursed in full prior to the formal liquidation process.

The arrests highlight the increasing involvement of the banking system in investigations into corruption. Earlier this week police arrested Mr Franco Matera, a senior manager at the Banca Nazionale dell'Agricultura, for allegedly helping to facilitate a L2.5bn bribe for a contract for nine helicopters supplied to the Italian security forces by Augusta, the state-controlled helicopter manufacturer.

Meanwhile, Milan magistrates have issued an arrest warrant for Mr Enrico Braggiotti, former chairman of Banca Commerciale Italiana, allegedly in connection with $50m (£33m) paid to him by the late Mr Raul Gardini while head of Ferruzzi-Montedison.

■ Greek supreme court prosecutors yesterday dropped their investigation into allegations of wrongdoing in the sale of Heracles General Cement to Italy's Calcestruzzi, court officials said, Reuter reports from Athens.

Calcestruzzi, which is controlled by the Feruzzi group, bought the major share in Heracles, Europe's biggest cement exporter, in 1992 for $225m (£149m) in a joint venture with the state-run National Bank of Greece. According to prosectors, No evidence had been found to justify charges against employees of the state-run company, or any others involved in the sale.

Feruzzi's financial executive, Mr Giuseppe Berlini, had alleged that Greek politicians received bribes to expedite the sale of the cement company.

Cocaine seizures in Europe soar

By Andrew Hill in Brussels

COCAINE seized by European customs authorities was up 42 per cent in the first half of this year, on the same period in 1992, customs officials said yesterday.

European officials seized 9,800kg of cocaine in the first six months of 1993, against 6,914kg in the first half of 1992, the Brussels-based Customs Co-operation Council said. The amount of cannabis seized in Europe during the first half of the year also increased, from 80 to 91 tonnes

The amount of heroin seized decreased in western Europe, but rose in the east European countries. Mr Georges Davrou, deputy director of the CCC's technical division, said yesterday that it was too early to tell whether the abolition of many of the EC's internal frontier controls on January 1 had had any effect. Customs officials have always argued that more illicit drugs are seized following tip-offs or large-scale cross-border operations than as a result of random checks.

The nine members of the Schengen free-travel accord - all 12 EC countries except Britain, Denmark and Ireland - have pledged to lift remaining passport controls from December. Although it supports the deadline, France, in particular, has expressed concern about the flow of drugs.

Beijing hits at Patten over HK speech

By Tony Walker in Beijing

CHINA yesterday expressed its "regret" over a speech on Wednesday by Hong Kong Governor Chris Patten in which he warned that decisions on arrangements for pending elections would have to be taken in weeks not months.

Mr Wu Jianmin, Foreign Ministry spokesman, said there still remained a "large gap" between China and Britain on the issue, but his remarks were low-key. "We hope that the British side will take a truly constructive attitude towards the talks so as to narrow the gaps as early as possible, and make the talks a success."

Mr Patten, who wants to extend the franchise for local elections in 1994 and for elections to the Legislative Council (Legco) in 1995, told Legco on Wednesday that "we now have only weeks rather than months" to conclude arrangements.

China is bitterly opposed to Mr Patten's proposals, arguing that they contradict understandings reached in negotiations during the 1980s on the future of the colony, which reverts to Chinese rule in 1997. The 1994 and 1995 elections are the last that will be held before the handover.

Beijing and London have conducted 12 rounds of talks on the future of Hong Kong in an effort to resolve differences over Mr Patten's proposals, but have made little progress. Talks are due to resume in the Chinese capital early next week.

"The Chinese side is of the view the current talks are aimed at a smooth transition in Hong Kong's political system," Mr Wu said. "A bilateral agreement on the 1994-95 election arrangements is the necessary condition for a 'through train'."

This latter reference is to arrangements that would help Hong Kong through the difficult transitional period when London yields control to Beijing.

Legislators elected for four years in 1995 would continue to hold office after the Chinese takeover, hence Beijing's extreme sensitivity over the possibility that an extended franchise might yield more militant representatives.

Referring to agreements between Beijing and the UK, including the Joint Declaration on the colony's future, initialled in 1984, and the Basic Law of 1990, Mr Wu said that the "essence" of the current dispute was not over whether there should be democracy, but "whether one should honour his word".

Fresh setbacks for Australian budget plans

By Nikki Tait in Sydney

THE Australian government last night suffered a further setback when two of the revenue-raising measures in its proposed budget were voted down by the Senate.

The first measure to be defeated was a proposed increase in wholesale sales tax on wine from 20 per cent to 31 per cent. This has been strongly denounced by both the opposition coalition and by the minority parties (the Democrats and the Green party) which hold the balance of power in the Senate.

The loss of this increased tax revenue would affect the government's revenue calculations for the current tax year, but by a relatively small amount of some A$70m (£30m).

The Senate subsequently approved one round of wholesale sales tax increases, but then voted down a proposed second round, due to come into effect in July 1995. The second round of tax increases was rejected by the opposition and the Greens, leaving the crucial vote with the Tasmanian independent senator, Mr Brian Harradine. He finally voted against the increase.

Although the outcome of the Senate voting was largely as predicted, it is still unclear where this leaves the government's finance proposals. Earlier in the day Mr John Dawkins, the treasurer, had insisted that the government would implement the income tax cuts proposed in its budget only when the revenue-raising measures had been passed by the Senate. "This is a package, and it will remain a package as far as the government is concerned," he said.

Mr Dawkins' latest affirmation of the government's determination to link revenue-raising and tax-cutting measures could mean the personal income tax reductions, due to come into effect next month, will be delayed. Should this happen, Mr Dawkins claimed, the opposition could be held responsible.

There was, however, one brighter piece of news for the government yesterday. The nation's unemployment rate fell from 11.1 per cent in August to 10.9 per cent last month, according to the latest seasonally adjusted data. The Bureau of Statistics said 45,100 people found work during the month, although most of the jobs created were for part-time work, and full-time employment rose only slightly. The drop in the unemployment rate was largely in line with analysts' forecasts.

Mike Moore, Labour party leader: preferred prime minister in two polls with about 20 per cent support Associated Press

NZ 'headed for close election'

By Terry Hall in Wellington

NEW ZEALAND seems headed for a close general election on November 6, with latest opinion polls showing the opposition Labour party has steadily gained support over the past month through attacks on the government's handling of social welfare issues.

The Heylen One Network News poll says Labour and the ruling National party are neck and neck at 37 per cent, with Labour gaining two percentage points over the past month. The TV3 Gallup Poll showed the National party at 40 per cent, a drop of seven points since early September, while Labour had gained ground to 39 per cent. The minor Alliance and New Zealand First parties had a combined 20 per cent in both polls.

Mr Murray McCully, government communications committee chairman, said the polls showed that the National administration had no room for complacency. Labour had gained momentum by "firing all the policy shots" over the past month".

Mr Mike Moore, Labour leader, was the preferred prime minister in both polls, with about 20 per cent support; the incumbent, Mr Jim Bolger, scored 8 per cent, behind Mr Winston Peters, leader of the New Zealand First Party, on 17 per cent.

At the November 6 election, voters will also be called on to take part in a referendum to vote on a change in the electoral system. At present New Zealand elections are won on the British first-past-the-post system, which means that the government is elected on the number of parliamentary seats it wins. At a referendum, voters will be asked to choose whether they wish to adopt the German mixed-member proportional system.

The latest polls showed that support for the change was falling slightly, with 46 per cent in favour of the German system and 37 per cent against.

Sihanouk press ban prompts fears on rights

Iain Simpson on reporting restrictions in Cambodia

IN THE first sign of possible restrictions on constitutional rights in post-election Cambodia, the new government has warned journalists working in the country that they should refrain from criticising the newly enthroned King Norodom Sihanouk.

At a press conference Mr Ek Sereywath, the deputy information minister, pointed out that foreign journalists have often written critical comments about Prince Sihanouk (as he was until two weeks ago) and said it would be "against our custom to criticise" the king.

The country's new constitution, which was promulgated by King Sihanouk two weeks ago, enshrines freedom of the press, together with freedom of expression and freedom of association. However, diplomats and other foreign residents say they are concerned that the bar on criticism of the king could lead to other restrictions on these constitutional rights.

King Sihanouk's past record of close involvement in Cambodian politics suggests that any full account of political developments in the country would have to reflect his role. Under the new constitution, the king "reigns but does not govern". However, the early signs are that the king is likely to play a much more active part in day-to-day questions than that implies.

King Sihanouk has had a testy relationship with the media since the first time he ruled Cambodia as king during the 1950s. Then, and later when he abdicated to become the civilian head of state, he kept a black list of journalists who were banned from the country and refused to give interviews to any but his favourites.

In recent years, as head of a resistance coalition and then as head of state under the United Nations mandate in Cambodia, he has often responded in detail to what he perceived to be negative reports about him in the local and foreign press.

He now says he has put those days behind him, though. In interviews last weekend, he repeatedly told visitors that Cambodia would have an absolutely free press with no restrictions and no censorship.

Mr Ek Sereywath insists the idea of restricting criticism of the king was his own initiative, but it seems likely that the idea had at least the tacit support of the king, whose actions have often belied his public statements.

During the 18 months that the United Nations Transitional Authority in Cambodia (Untac) was in the country, the local media flourished and became much more outspoken. With the backing of the UN's own radio station, Radio Untac, Cambodian reporters began to expose corruption and to criticise the main political players, including King Sihanouk.

Now that Untac's mandate has come to an end and most UN personnel have left the country, the local media are again exposed to a possible renewal of the bullying and threats of the past. Until the Untac-sponsored election in May, Cambodia was a one-party state and there was no real independence in the media. The one outspoken editor was thrown into jail and his newspaper closed.

One optimistic note in the new environment is that Mr Khieu Kanharith, the editor who was jailed for his independent views, is now the minister for information. Many fear, however, that he may be replaced by a tougher political rival.

The government says it is committed to openness and a free press but when the constitution was being drafted, there was no public consultation and no dialogue between the members of the drafting committee and the public.

Special interest groups and a coalition of Cambodian non-government organisations protested strongly but their views were still not heard by the committee. Now, they point out that the government's commitment to dialogue carries limited weight given the way in which the constitution was written and the unwillingness of members of parliament to listen to the views of the people who elected them.

The government insists it does not intend to widen the ban on criticism of the king to cover ministers or other members of the administration. However, there is already concern that there could be a return to the official and unofficial censorship of the past.

About 1,000 Cambodian students took to the streets of Phnom Penh yesterday in a peaceful protest against compulsory French language classes at their technical institute, Reuter reports from Phnom Penh.

It was the first mass demonstration seen in the capital since government police and army units bloodily suppressed an anti-corruption protest in December 1991.

The students were angry that French-promised educational assistance to their school was linked to their having to learn the language of their former colonial masters.

Earlier this year King Norodom Sihanouk had pledged that his country, a French colony until 1955, would become a member of the French-speaking community of nations. Many younger Cambodians would prefer to learn English.

Ex-BCCI officers face court

By Robin Allen in Dubai

AFTER a two-year investigation by the Abu Dhabi government, 11 former officers of the Bank of Credit and Commerce International are to appear in court at a preliminary hearing in the emirate tomorrow to face charges that include forgery, mismanagement and fraud.

Of the 11, six are British passport holders, four are Pakistani and one is reported to be Canadian. They include former executives of Bank of Credit and Commerce (Emirates), a local bank in which BCCI had a 40 per cent shareholding and the management contract. BCCE has long since been renamed, restructured, and put under new management.

Two key figures from BCCI who are among the 13 facing charges will be conspicuously absent. Mr Agha Hassan Abedi, the founder and former president of BCCI, is an invalid in Pakistan, with which the UAE has no extradition treaty, while Mr Ziauddin Ali Akbar has started serving a six-year sentence following his conviction in London on September 28.

The hearing, and full trial later, could be open to the public though this will depend on a decision of the trial judge. At Saturday's hearing the charges will be read out and counsel for the defence appointed from among several local lawyers.

The case would then normally be adjourned for two weeks while defence lawyers study the charges. But given its complexity, they could ask for more time, especially if they should seek access to more documents.

Rights abuses 'still continue in Burma'

By Victor Mallet in Bangkok

BURMA's military rulers continue to commit grave human rights abuses against the Burmese people, despite some recent improvements, a report by the human rights group Amnesty International says today.

More than 1,700 political prisoners have been released by the State Law and Order Restoration Council (Slorc) since April 1992. But many others are believed still to be languishing in jail either without trial or after unfair hearings, Amnesty says.

Ms Aung San Suu Kyi, the pro-democracy leader and Nobel peace prize winner, is enduring her fifth year of house arrest in Rangoon.

Even those who have been released are not secure. The Slorc uses the Military Intelligence Services to intimidate and harass real or imagined government critics after they have been freed, the human rights group says.

Amnesty also highlights the plight of members of ethnic minorities. They are routinely seized in their villages and fields by soldiers, accused of supporting guerrilla insurgents and beaten or forced to work as porters.

"Despite some positive steps taken by the Slorc, including the abolition of military tribunals, to respond to international criticism of its human rights record, the human rights situation in Myanmar [Burma] is still grim and needs urgent attention," Amnesty says.

S African petrol price likely to spark unrest

By Philip Gawith in Johannesburg

SOUTH AFRICA faces renewed economic conflict following the cabinet's unexpected decision to proceed with a petrol price increase in the face of widespread opposition.

The country's main trade unions and commuter taxi organisations have responded by announcing a programme of mass action involving demonstrations, pickets and marches aimed at the government and oil companies. The Consumer Council, Automobile Association and the AHI, representing Afrikaner business interests, have also expressed disappointment at the cabinet's decision.

The dispute disrupts recent multi-party unity on issues of economic policy such as the debt rescheduling agreement and an offer to Gatt to simplify and lower tariffs within the Uruguay round of trade talks. It will raise renewed questions among foreign investors about future economic policy in the country. There has been a considerable surge in investor interest in South Africa following the call two weeks ago by Mr Nelson Mandela, African National Congress president, for the ending of economic sanctions.

In an effort to defuse opposition the government agreed to refer the 4 per cent petrol price increase to the National Economic Forum (NEF), a tripartite body on which business, labour and government are represented. An NEF task-force had recommended this week that the price rise should be suspended for two months from mid-October to mid-December.

President F W de Klerk said the cabinet's decision was "economically justified" and rejected accusations he was merely trying to show that he was not a lame-duck president.

Evidence links Hani case trio

THE BLACK maid employed by two of the white right-wingers accused of murdering Mr Chris Hani, South African communist leader, gave evidence yesterday linking the two to the alleged killer, Reuter reports from Johannesburg.

Ms Elizabeth Motshwane told the Rand Supreme Court in Johannesburg that Polish-born Mr Janusz Waluz, alleged to have killed Mr Hani with four shots on April 10, visited the home of Mr Clive and Mrs Gaye Derby-Lewis four days before the murder. "I saw Waluz seated in the sitting room... he was holding a fire-arm in his right hand, pointing downwards," Ms Motshwane said, adding that Mr Waluz had breakfast with her employers that day.

All three defendants have pleaded not guilty to the murder of Mr Hani, which plunged South Africa into one of its worst political crises since President F W de Klerk began dismantling apartheid in February 1990.

Meeting to seek halt to biodiversity loss

By Frances Williams in Geneva

GOVERNMENT officials and environmentalists from about 130 countries will meet in Geneva next week to discuss how to implement an international treaty protecting biological diversity.

The biodiversity convention, signed at last year's United Nations Earth Summit in Brazil, has been ratified by the required 30 nations and will come into force on December 29.

The convention is designed to stem the unprecedented and accelerating loss of the world's estimated 10m plant and animal species and thus its genetic resources. The loss is largely due to destruction of tropical rainforests, which contain roughly half the world's known species.

Ms Elizabeth Dickson, senior adviser on biodiversity to the United Nations Environment Programme (Unep), said yesterday that on present trends the world could lose a quarter of all plant species within the next 30 years.

Next week's meeting will be discussing immediate action to halt the erosion of biodiversity and secure its sustainable use, as well as how the measures should be financed.

Ms Dickson said the main emphasis would be on getting countries to draw up national strategies for biodiversity protection and thereby trying to bring about a change of philosophy. "Instead of saying 'Let's have a park', governments will look at how incentives built into the economic system encourage people to destroy biodiversity," she said.

The meeting is also expected to touch on the issue of how rich and poor countries should share the benefits from use of genetic resources, which are concentrated in the developing world. This includes technology transfer, granting of access to genetic resources, and the role of intellectual property protection.

Ms Elizabeth Dowdeswell, executive director of Unep, which sponsors the newly formed interim secretariat for the convention based in Geneva, said yesterday it was imperative to take action now to stop the alarming loss of biological diversity: "The richer the diversity of life, the greater the opportunity for medical discovery, economic growth and adaptation to changing circumstances such as global warming. The variety of life is our insurance policy. Our lives depend on it."

NEWS: THE AMERICAS

Clinton to send 5,000-strong reinforcements but plans pull-out by April

More troops for Somalia

By Jurek Martin in Washington

US congressional leaders confirmed yesterday that President Bill Clinton plans to send more than 5,000 additional troops to Somalia, but to have ended the US military presence there by the end of next March.

The contingent, which would more than double the current US military presence, would be composed of about 1,700 infantry in Mogadishu and 3,600 Marines stationed offshore and available for rapid intervention. Its mission would be more offensive than logistical and its firepower, it can be safely assumed, would be trained on the forces of General Mohammed Farah Aideed, the Somali factional leader.

Mr Clinton will also send Mr Robert Oakley, a veteran diplomat and former President George Bush's envoy there last year, back to Somalia to promote a political dialogue between the clans and factions.

Mrs Madeleine Albright, US ambassador to the United Nations, has also been instructed to impress with renewed vigour the importance of a political solution on Mr Boutros Boutros Ghali, the UN secretary general, who is himself to visit Mogadishu next week.

Mr Clinton had no immediate comment after a two-hour White House session with leaders of both parties in Congress described by other participants as "spirited" and "divided".

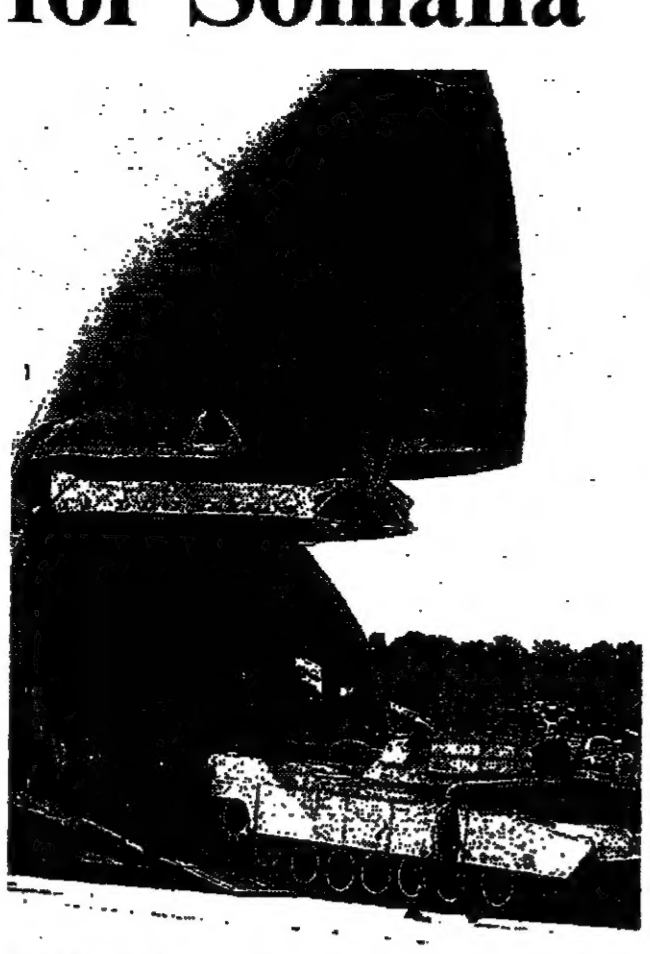
Several participants reported that the president would address the nation on his Somali policy, probably today. Senator George Mitchell, the Democrat majority leader, and his Republican opposite number, Senator Bob Dole, both said Mr Clinton needed to lay out with some clarity what US policy in Somalia was. Mr Dole added that US credibility could be damaged by a precipitate retreat.

Mr Dole was also exercised by the need for US military activities in Somalia to remain under US, not UN, control.

The president's ideas did not satisfy all those he invited to the White House. Senator Robert Byrd of West Virginia, the veteran Democrat, threatened to introduce legislation forcing a complete US troop withdrawal by the end of the year at the latest.

Compounding problems for the administration are post-mortems over why last weekend's raid on the forces of Gen Aideed went so badly wrong. There were unconfirmed reports yesterday that last month General Colin Powell, just retired as chairman of the joint chiefs of staff, had requested additional fighting vehicles for the Somali operation but had been turned down by Mr Les Aspin, the secretary of defence.

It was announced yesterday that another serviceman had died from injuries suffered in last weekend's raid, bringing the death toll to 13. There were also reports that at least *one* more American had been killed in action in Mogadishu yesterday.



A US M1-A1 Abrams tank is loaded onto an aircraft in Himesville, Georgia, for transport to Somalia. *Reuter*

US forces must run own show, say congressmen

By George Graham in Washington

THE mounting US death toll in Somalia has redoubled demands in Washington that the US assert control over operations involving its troops.

Members of Congress rammed home the message to President Bill Clinton in a meeting at the White House yesterday morning that their limited tolerance for a continued US presence in Somalia would be greatly reduced if they could not be assured that US forces would remain under US command.

"My point was to ensure that this was an American plan and was going to be controlled by Americans," said Senator Bob Dole, Republican leader in the Senate, after the meeting.

US forces have in practice almost always remained under the ultimate command of a US officer. From General Dwight Eisenhower in the second world war, by way of Gen Douglas MacArthur and Gen Matthew Ridgway in Korea, to Gen Norman Schwarzkopf in the Gulf, the US has provided the commander-in-chief for a series of multinational operations.

It continues by tradition to appoint the Supreme Allied Commander in Europe (Saceur) of the North Atlantic Treaty Organisation.

It becomes more difficult to insist on US command of a particular operation, however, while at the same time seeking to minimise the size of the US commitment.

Already this summer, members of Congress with big military bases in their districts returned from recess with questions about the command structure under which US troops were operating in Somalia. Last Sunday's bloodshed has reinforced US doubts about the wisdom of ceding control of their troops.

Specific complaints about muddled chains of command, language problems and incompatible tactics have merged with long-held US suspicions, dating back to U Thant's term as United Nations secretary general in the 1960s, about whose side the UN is on.

US concerns have been further coloured by occasionally xenophobic views on the reliability of troops from other nations taking part in the UN force. Some US newspapers questioned the willingness of Malaysian and Pakistani troops to come to the rescue of US soldiers trapped in Sunday's bloody fighting in Mogadishu.

The command issue has already arisen in Bosnia, where the US has sought to insist on Nato's leadership – and so, de facto, a US commander in chief – while France has argued that the Saceur command structure is inappropriate for peacekeeping operations and asserted UN supremacy.

It is certain to recur in other conflicts as the US seeks to diminish its own leadership role and rely more on multilateral efforts to promote and maintain peace.

Caracas bombings linked to share price manipulation

By Joseph Mann in Caracas

VENEZUELA'S police believe a small group of people placed at least one of a series of bombs that exploded in the capital city in recent months in an attempt to manipulate Caracas stock exchange prices, according to local press reports yesterday.

If the theory proves to be true, it would represent one of the most audacious cases of stock manipulation on record.

Mr Carlos Delgado Chapellin, minister of the interior, said people with "links to Venezuela's financial sector" were suspected of planting a car bomb that damaged a Caracas shopping centre on August 18.

The authorities also suspect that the group, reported to be made up of at least five civilians, two navy officers and a member of the state security police, were behind other bombings in a series which began in mid-July.

It was widely believed that the bombings were politically motivated and aimed at destabilising the government. No one has admitted to them.

However, the police are now looking at the theory that the group planted at least one bomb to depress share prices on the already nervous Caracas exchange.

They then bought shares at low prices, and sold when they recovered. The authorities are said to believe the bombings may also have been used to manipulate the price of Venezuela's external debt bonds on international markets.

However, the police have not rejected the possibility that one or more of the bombings (especially a July 19 letter bomb blast at the High Court which injured an employee) were indeed carried out for political purposes.

The bombings came at a time of social and political unrest in Venezuela. The country weathered two attempted coups last year and has been in a state of political turmoil for over two years.

Nobel prize for Toni Morrison

By Hugh Carnegy in Stockholm

TONI MORRISON, the American novelist, yesterday became the first African-American and only the eighth woman to win the Nobel prize for literature.

The Swedish Academy of Sciences, which since 1901 has awarded the annual prizes bequeathed by industrialist Alfred Nobel, said Ms Morrison's work, mainly concerned with racism in the US, depicted the lives of "blacks as the people they are".

Through novels "characterised by visionary force and poetic import [she] gives life to an essential aspect of American reality", the academy said. Ms Morrison, professor of humanities at Princeton, was a surprise choice because the prize had gone to writers in English in the previous two years. The West Indian poet Derek Walcott won last year, preceded by Nadine Gordimer, the South African novelist.

Ms Morrison, 62, is the 10th American to win the prestigious prize, worth SKr6.7m (£553,000). In a statement issued by her US publishers, she said: "I am unendurably happy. I, of course, am profoundly honoured. The most wonderful thing for me personally is to know that the prize has at last been awarded to an African-American."

A teacher of literature, Ms Morrison has written six novels and a number of essays in which the themes of racism, slavery and segregation are often conveyed in violent images. Her novel Beloved, published in 1987, won a Pulitzer prize. The Nobel judges said Ms Morrison, born Chloe Anthony Wofford in Lorain, Ohio, strove to free language from "the fetters of race".

Her work had its roots in the work of William Faulkner – a Nobel laureate in 1949 – and other writers from the American south. It was "unusually finely wrought and cohesive, yet at the same time rich in variation." They described her 1992 book Jazz as richly complex, which sensuously conveyed characters and moods.

Toni Morrison: eighth woman to take prize

States bring forward primary dates

By Jurek Martin

THE US presidential party primaries of 1996 promise to be less of a marathon as a result of action taken recently by several states bringing forward election dates.

This week Governor Pete Wilson of California signed into law a bill setting the last Tuesday in March, rather than the first in June, as primary day. Last week Governor George Voinovich of Ohio did the same with a bill that would have his state vote on the third Tuesday in March, the same as Michigan and Illinois, rather than in mid-May. Wisconsin and Pennsylvania may follow suit.

March now looms as a pivotal month, with in effect three regional primaries – the south at the start of the month, the Midwest around the middle and California, the biggest state, in the west at the end.

Mr Voinovich pointed out that presidential candidates make promises in primaries which may be redeemed if they get elected. "Why should they spend all their time in New Hampshire and Iowa [which hold the first primaries and caucuses], when they're pea-pods in terms of electoral clout and population?"

States with late primaries have indeed felt left out. California has not held a truly decisive primary since 1972.

Experts are divided on the impact of shortening and front-loading the primary season. It may help the well-organised and well-financed, especially an incumbent. President George Bush, for example, would not have been as embarrassed for so long by the sniping attacks of Mr Patrick Buchanan, his right-wing challenger. But an unpopular front-runner or incumbent could get knocked out very early.

Regional candidates from the south, like Messrs Carter and Clinton, will probably have less time to establish themselves nationally. But western hopefuls at least get an earlier crack at the biggest state of all, itself prone to populist appeals.

EC in Japanese market protest

By Michiyo Nakamoto in Tokyo

THE EC has criticised Japan for dragging its feet on market access measures and warned that, unless there was stronger commitment from Japan, the Uruguay Round negotiations were in danger of not being concluded in time.

Mr Alexander Schaub, deputy director-general in charge of industry at the EC, said that in a meeting with officials from the Japanese Ministry of International Trade and Industry, the EC made it clear that Japan would need to make a greater effort to help the Uruguay Round towards a successful conclusion.

Japan has not shown determination to push forward discussions on market access for textiles or on the multilateral steel agreement (MSA). Both are part of a market access package agreed at the quadrilateral trade talks between the US, Canada, Japan and the EC in Tokyo this summer, which it is hoped will propel the wider Uruguay Round talks to a successful conclusion.

Meanwhile, the EC is also pursuing its own independent trade talks which were agreed with Japan last January. The Trade Assessment Mechanism, as the talks are known, is aimed at identifying sectors in which EC companies have been successful internationally but have shown a "striking underperformance" in Japan. Once the sectors are identified the two sides will analyse the reasons behind that underperformance.

EC and Japanese officials were, however, in closer agreement on the need for an anti-harassment clause, in light of recent activity by the US steel industry.

"If there is anything like harassment, it is the way in which the American industry has launched dozens and dozens of complaints and created a climate of permanent threat," Mr Schaub said. "This is the kind of proceeding we would like to avoid. It is not about taking away legitimate instruments of trade but about limiting the risks of abuse."

Mondale presses Tokyo on rice

By William Dawkins in Tokyo

THE US yesterday increased pressure on Japan to reduce its trade surplus, in the week before a fresh round of trade talks.

There was "fundamental agreement on foreign policy and security issues" between the US and Japan, "yet it is urgent that we correct the economic imbalance between us," said Mr Walter Mondale, US ambassador to Japan.

Mr Mondale also urged Tokyo to remove its traditional ban on imported rice and allow foreign rice sales subject to import duties. Japan should accept a proposal in Gatt's Uruguay Round to replace all non-tariff barriers to agricultural trade with tariffs: this would be "good for Japanese farmers and consumers", said Mr Mondale.

The first round of talks in Hawaii last month, to implement the framework trade and economic accord struck last July, in which Japan has undertaken to try to curb its record trade surplus, was only a preliminary. "Serious negotiations" would begin in Tokyo next week when both sides meet again, said Mr Mondale, speaking at his first press conference since taking the Tokyo post in August.

This comes as Japanese politicians are beginning to show flexibility on rice imports, which already happen in small amounts but are regarded as taboo. Mr Morihiro Hosokawa, recently elected premier, still benefits from record popularity ratings, and has hinted that Japan should consider lifting the ban. The question has been given fresh relevance by a bad harvest, obliging the government to allow 200,000 tonnes of emergency imports of industrial grade rice, the first for nine years.

But for the time being, the Tokyo government is officially abiding by a unanimous parliamentary resolution against foreign rice and feels under no pressure to discuss rice in Gatt until the EC and Japan resolve their own differences on farm trade.

General in the war for free trade

Frances Williams on Gatt chief who leaves nothing to chance in his quest for a Uruguay Round deal

WITHIN a month of his arrival in July as head of the General Agreement on Tariffs and Trade, Mr Peter Sutherland put the world trade body on a virtual war footing. With what is now generally agreed to be the final deadline for the Uruguay Round of trade liberalising talks just 10 weeks away, he is leaving nothing to chance to secure a successful outcome.

Once a week and sometimes more often, a dozen close aides gather in Mr Sutherland's office overlooking Lake Geneva to take stock of the final stages of the negotiations and to plan strategy for the coming days and weeks. Where are blockages emerging? Which countries need chivvying? Should certain delegations be brought in for consultations with Gatt staff? Would a telephone call from Mr Sutherland to the relevant minister be helpful?

"We are looking at anything that would drive the process forward," says one member of the strategy group. It includes Mr Richard O'Toole, Mr Sutherland's *chef de cabinet* (who performed the same function in Brussels in 1985-89 when Mr Sutherland, an Irish lawyer, was EC competition commissioner), the three deputy directors general and senior staff responsible for specific areas of the Uruguay Round negotiations.

Mr Sutherland argues that if no deal is reached by the December 15 deadline, when US negotiating authority expires, the seven-year-old round is doomed. This, he believes, would be a disaster not only for world growth prospects but for global economic security and political stability.

A collapse of the negotiations would not mean a continuation of the status quo but a disintegration of the present system of trading rules and an upsurge in trade conflicts and protectionism, with dangerous consequences for economic and political reform in the developing world and eastern Europe.

Mr Sutherland's central message to world leaders is thus that the Uruguay Round is not an "optional extra" but "arguably the most important and urgent issue on the world agenda today".

"It's a softening-up period designed to get people desperate for a deal," says one insider. "We're trying to create a climate for negotiation that will ensure the flexibility needed to conclude the round successfully."

So far this campaign has had two principal dimensions – an unprecedented effort to spread the word through the news media and a gruelling personal travel schedule for Mr Sutherland. By the end of October, he will have met ministers and sometimes heads of government of virtually every important trading nation.

He has already met ministers from most leading industrial countries and Latin American countries, visited Chancellor Helmut Kohl of Germany and Mr Edouard Balladur, the French prime minister, to discuss the critical issue of farm trade reform. He has also been in regular contact with Sir Leon Brittan, the EC's trade commissioner, and Mr Mickey Kantor, US trade representative.

This weekend he will be in Singapore for talks with ministers from the Association of South-East Asian Nations, and later this month he will travel to Tokyo to see Mr Morihiro Hosokawa, Japan's prime minister.

Mr Sutherland has used these opportunities to give dozens of speeches, news conferences and press interviews and to use his considerable gifts of persuasion to sway opinion formers behind the scenes.

During his recent trip to the US, for instance, he "spoke to just about everyone who makes or influences US decisions on trade", according to one observer, including Mr Kantor, congressional leaders, business groups and journalists.

Another tactic has been to publicise the far-reaching benefits of a Gatt deal to counter the noisy but limited interest groups demanding trade protection. A first well-timed and telling fact sheet issued just before the Group of Seven summit in Tokyo in July stressed the role of trade in creating new and better jobs in industrialised countries. A second, released in August, drew attention to the high and often hidden costs of trade protection for consumers and taxpayers.

In the next, even more difficult, stage of his overall strategy, Mr Sutherland will be hoping to translate the political desire for a Uruguay Round agreement into the concessions necessary to secure it.

He has already warned the US and EC that the onus is on them to make the Round a success. But he is urging all governments to be more forthcoming in the critical negotiations under way in Geneva on improving market access for foreign goods and services, and has called for restraint in trying to open up the draft accords on fair trade rules compiled in 1991 by Mr Arthur Dunkel, his predecessor.

Sutherland: son of Gatt goes forth to war Reuter

For the moment, the main priority is to get a wide-ranging package of tariff cuts and other market-opening measures that will give the 116 participants tangible benefits from the Round. This, it is hoped, will pave the way for difficult concessions on the rules, including the "multilateralisation" of the troubled US/EC Blair House accord on farm subsidies.

Mr Sutherland concedes there is still a "substantial risk" the talks could founder. If so, it will not be due to lack of effort on his part. He and fellow-lawyers Mr Kantor and Sir Leon have the ability to reach a deal, says one seasoned Gatt-watcher. "If these guys can't do it, nobody can".

Move to relaunch Asian trade zone

By Victor Mallet in Bangkok

SOUTH-EAST Asian governments have announced plans to relaunch the Asean Free Trade Area (Afta) after a year of haggling during which they have made little headway in reducing tariffs.

Ministers from the six members of Asean – the Association of South East Asian Nations, comprising Brunei, Indonesia, Malaysia, the Philippines, Singapore and Thailand – are meeting in Singapore this week to discuss regional and international trade matters.

Asean announced in Singapore that member states would start implementing tariff cuts for intra-Asean trade from January 1 1994, to show the private sector that the six countries were serious about moving towards Afta.

Officials said that a timetable would be issued in November.

The original plan agreed in 1992 was to begin reducing tariffs at the start of this year to create a free trade area in 15 years, but the agreement did not tie the signatories to a precise timetable. Most governments, under pressure from uncompetitive national industries protected by high tariffs, delayed the cuts and announced long lists of products they were excluding from the scheme.

Asean said there had now been "improvements to the commitments of member countries", although Asean's own figures show little change for the better.

Malaysia, for example, appears to have sharply reduced the number of product categories it is submitting to the Afta tariff cuts, partly because it has dropped processed agricultural products for the time being and partly because of bureaucratic changes to the way products are consolidated into different tariff categories.

Previously, Malaysia has warned other Asean countries not to take advantage of what it calls "Malaysia's generosity".

Fujitsu and Hyundai in D-Ram chip venture

By Michiyo Nakamoto

FUJITSU, the Japanese computer and telecommunications company, and Hyundai Electronics, part of the South Korean Hyundai Business Group, have agreed to collaborate in the manufacture of semiconductor memory chips.

Fujitsu said they would work on 4-megabit and 16-megabit dynamic random access memory (D-Ram) chips.

The move reflects the changing order in the memory market, where Japanese semiconductor makers once held predominance. Last year, Samsung, another Korean company, overtook Toshiba of Japan as the world's largest manufacturer of D-Rams.

The move to next-generation D-Rams involves huge investments which Japanese companies, under pressure both at home and abroad, cannot now afford to make. As a result, Korean semiconductor makers have led in the race to invest in 16-megabit D-Rams and those unable to do so have set up alliances which often span national borders.

"It's a good move for Fujitsu because it can't really afford to spend so much money on D-Rams," commented Mr Phua Lee-Kerk, analyst at Barings Securities. Mr Phua said that in the long run D-Ram makers could be reduced to five: NEC and Toshiba from Japan, Samsung and Goldstar from Korean, and Texas Instruments of the US.

Fujitsu and Hyundai also agreed to explore the potential for collaboration in developing future generations of D-Rams.

Thatcher role alleged in Iraq exports affair

By Jimmy Burns

BARONESS THATCHER was placed at the centre of the arms-for-Iraq affair yesterday when the Scott inquiry revealed evidence for the first time that as prime minister she appeared to have approved the export of British machine tools used to build up the Iraqi military capability.

A memorandum written by a senior Whitehall official to Lord Trefgarne, minister for defence procurement, in December 1988 reported that the government had approved the export of 50 lathes which intelligence had indicated were to be used for making shells and missiles.

"The prime minister agreed that in order to protect the intelligence source the licences already granted should not be revoked," said the memorandum which was written by Mr Allen Barrett, a Ministry of Defence official who was responsible for vetting export licences to Iraq states.

The Scott inquiry obtained the document from the Ministry of Defence, which together with the rest of Whitehall and ministers has been told by Mr John Major, the prime minister, to co-operate fully.

Lord Justice Scott's office said last night that the involvement of Lady Thatcher had not been mentioned in any of the documents provided by her advisers or Downing Street. Lady Thatcher, Mr Barrett and Lord Trefgarne are to be pressed to explain.

It also emerged that the document was not made available by Whitehall during the trial last year of three executives of Matrix-Churchill, the Midlands based machine-tools company whose exports are the subject of the memorandum.

The three executives, one of whom, Mr Paul Henderson, had worked for British intelligence, were charged with breaching export controls. Their defence argued that they had done so with the full knowledge of the government. The trial collapsed following an admission by the Customs and Excise Department that the case against them could not be sustained.

Mr Kevin Robinson, solicitor for Mr Henderson, said last night: "I cannot understand why the document was not disclosed at the trial. It may be that the reference to the prime minister was one of the reasons. It wasn't disclosed because it might have been thought unduly sensitive or embarrassing."

Mr Henderson described the apparent withholding of the document from his trial as "disgraceful". He said that in February 1989 his company had exported a further batch of machine tools for munitions. A third batch was approved just before the invasion of Kuwait following problems of financing arranged by the Atlanta branch of the Banca Nazionale de Lavoro. All the exports had government approval.

Extracts from the document were read out at the inquiry yesterday during the questioning of Mr Ian McDonald, who was Mr Barrett's immediate superior at the MoD at the time. Mr McDonald expressed what he called "honest puzzlement" at the reference to Lady Thatcher, after saying that he had approved the memorandum. "I cannot think that the prime minister was involved," he said.

How the pirates get on board

Ray Snoddy on European laws and satellite TV decoding

YESTERDAY'S discovery of a European pirate satellite decoder network has focused attention on the technical and legal framework in which such a business can operate.

Mr John Spencer, an engineer who is UK marketing director of GI, the US electronics group, knows well the pirates' work. Several years ago GI suffered a serious piracy problem in the US and four million decoder boxes had to be replaced.

The GI executive says the most effective pirate equipment he has seen was based on an Intel chip inserted into the decoder box itself. It is now easy and inexpensive, he believes, to get pirate microchips manufactured from a floppy disk carrying the configuration of the system.

The VideoCrypt system introduced in 1989 is hailed by BSkyB for its "unmatched high security and unmatched flexibility". It randomly cuts each of the hundreds of tiny lines in the television picture and transposes them. Information on the scrambling sequences and control is carried in spare lines of the picture.

The security features lie in the "smart card" rather than the decoder box. The decoder establishes the legitimacy of the card, which has a built-in microprocessor containing the codes needed to unscramble the picture.

"The smart card security algorithms may be changed frequently, making unauthorised attack extremely difficult and economically not viable," BSkyB claims. Nobody knows how pirates are breaking BSkyB security, but they may be manufacturing their own microchips.

While satellite television channels are turning into billion-pound businesses in Europe there is little specific legislation to protect them against pirates. The Motion Picture Association of America, the Hollywood trade association, says that only the UK and Sweden have passed legislation to outlaw unauthorised decoders and smart cards. Mr George Eriksson, deputy director of the association in Europe, says the MPAA plans to lobby the EC to try to get a ban on unauthorised decoders.

In the UK the government has changed the copyright law creating a criminal offence with a fine of up to £5,000. In countries like the Irish Republic and Germany decoders designed to unscramble the BSkyB package of channels are widely – and apparently lawfully – advertised.

They Can't Gag Us, said the Daily Mirror, then agreed not to publish any more of what it claimed were the Thatcher memoirs

No kiss this year for the Baroness

By Roland Rudd

SHE had come to see her friends and support the prime minister. That at least is what her press secretary said.

Baroness Thatcher yesterday decided that actions speak louder than words as she arrived to a slightly less than ecstatic welcome from the rank and file inside the Empress Ballroom.

Her presence on the platform of the Conservatives' annual conference, alongside many of the senior ministers she purportedly castigated in her memoirs, the official serialisation of which begins this weekend, was designed to underline her approval for Mr John Major.

But on Day Three of the conference all most people wanted to talk about was what she really thought of her successor. The extracts in the Daily Mirror newspaper, widely believed, indicated just what a poor opinion she has of him. Mr Major appeared to return the compliment when he broke with recent tradition by declining to kiss her when he joined the platform for the debate on the economy.

At just over two minutes Lady Thatcher's standing ovation was 20 seconds longer than the one given to Mr Major. But just only half the audience got on their feet for the whole two minutes. Sir Edward Heath, the former premier, appeared scrupulously fair by standing for both but refusing to clap anyone.

There was no shortage of cabinet ministers trying to put the explosive issue of Lady Thatcher's memoirs behind them. Mrs Virginia Bottomley, health secretary, said the matter was "history"; Mr Peter Lilley, social security secretary, said Lady Thatcher was "livid with rage" at the Daily Mirror.

Other representatives of the parliamentary party were more outspoken in their anger at what they perceived to be Lady Thatcher's hijacking of the party conference. "It's a disgraceful lack of self-discipline" said Mr Graham Riddick. Another opined: "She should know better than most that we could do without being in the shadow of nanny, or granny as she now likes to call herself."

Her close friends appeared to hark back to a golden age which Mr Major now says never was. Mr Edward Leigh, the former rightwing trade minister sacked by Mr Major, said it was ludicrous to blame Lady Thatcher for stealing Mr Major's thunder.

Mr Norman Fowler, the Conservative party chairman, had hoped to appease the Lady's friends by publicly declaring that he wore the badge of both Thatcherism and Majorism with pride.

Sir Tim Bell, who used to advise Lady Thatcher on her public relations, appeared bemused by the fuss. He professed surprise that anyone could have failed to see that the conference spotlight would fall on Lady Thatcher. "What on earth did you expect?".

Britain in brief

Irish back inquiry into Thorp plant

The Irish government has thrown its weight behind those calling for a public enquiry to be held before the Thorp nuclear reprocessing plant at Sellafield in north-west England is granted revised authorisations for radioactive discharges by the UK government. It said there "is no sound economic case" to be made for going ahead with the project.

Mr Brian Cowen, the Irish minister for transport and energy, took the step yesterday of publishing his government's second submission made to the UK authorities.

He said the move was due "to the concerns and fears held in this island regarding Sellafield . . . I wish to highlight and reinforce with our EC colleagues the Irish government's concerns and misgivings regarding the British nuclear industry and the Sellafield plant in particular."

The submission says: "There are no demonstrable overall economic or security benefits arising out of Thorp's operation which would justify it or balance out possible and likely risks to public health and environmental damage.

"A narrow base of benefits to British Nuclear Fuels or the UK economy alone is not a sufficient justification."

Oil contract case heard

A former engineer with Shell was jailed for 12 months at a London court for accepting bribes to influence the awarding of a contract for a floating accommodation vessel to be used in the North Sea at the Gannet oil field. The conviction followed investigations by the Serious Fraud Office into corruption in the awarding of contracts in the North Sea oil fields operated by Shell and British Petroleum.

Canary Wharf challenge

The High Court hearing of Ogilvy & Mather's legal challenge to the proposed refinancing package for Canary Wharf was adjourned yesterday until October 18th. The advertising agency is claiming the package does not secure its long-term interests.

VAT threat to bus routes

The imposition of value added tax on bus fares could put many operators out of business and lead to 15,000 job losses in the industry, the Bus and Coach Council warned.

The council, representing operators and manufacturers with a combined annual turnover of £4bn, said such a move in next month's Budget would drive passengers off bus services and force operators to raise fares by more than 30 per cent to maintain their profit margins.

Industry executives yesterday told Mr Roger Freeman, the transport minister, that increased taxation would make services operated by many companies unviable and leave no room for investment in new models.

New Cornish dictionary

The first new Cornish language dictionary for nearly 40 years was launched today. It was researched and edited by Dr Ken George, an ocean sciences lecturer at the University of Plymouth.

The main version contains 9,000 words, with two-way Cornish/English and shorter pocket versions to follow.

The Celtic Language Board is publishing the dictionary, which has an initial print run of 500, with the help of a £16,700 grant from the European Community.

The Cornish language, which is thought to have originated around 600 AD, and died out in the 1700s, is enjoying a revival and is taught in seven schools in the south-western county as an extra-curricular subject.

The Celtic languages, Welsh, Gaelic, Irish, Cornish, Manx and Breton, are among the oldest in Europe.

Irish PM sees hope for 'lasting peace process'

By Tim Coone in Dublin

THE GOVERNMENT of the Irish Republic responded positively yesterday to the peace initiative of Mr John Hume, leader of Northern Ireland's Social Democratic and Labour party, and Mr Gerry Adams, the Sinn Féin leader.

The initiative, launched 11 days ago in Belfast, is aimed at ending the paramilitary violence in Northern Ireland.

Mr Hume spent almost two hours explaining the initiative to Mr Albert Reynolds, the Irish prime minister, and Mr Dick Spring, the foreign minister.

After the meeting Mr Reynolds said: "We have had a very good meeting. John Hume gave us a document setting out the broad principals, which all of us agree could be a just and a lasting peace process to be established and worked upon.

"We will evaluate what we have heard today with our colleagues in government and we will consider how, in our discussions with the British government, this can contribute to the building of a peace process."

Officials of the Irish government confirmed that the document was the report referred to by Mr Hume and Mr Adams in their joint statement launching the peace initiative. The foreign ministry said: "We will certainly contemplate discussing it with the British government as part of a wider process leading to a settlement [on Northern Ireland]".

Mr Hume said: "I am very pleased with the meeting. I gave a very detailed briefing on a strategy for peace that I believe now exists and I am quite happy with the [government] response."

Neither he nor the Irish government is likely to be forthcoming with any further details of the peace initiative. Mr Hume appealed to the media for patience, saying: "The less speculation and more confidentiality the better".

A statement from the Irish government said: "In the interests of peace the need for confidentiality should be respected."

The UK's Northern Ireland Office did not wish to comment on the latest events in Dublin, but Mr Ken Maginnis, deputy leader of the Ulster Unionist party, was deeply suspicious of the secrecy surrounding the initiative.

"Is it reasonable that we should be expected to react positively on the basis of some hypothetical document that in fact was probably cobbled together on the way back from John Hume's trip to America?" he asked.

"Personally I do not believe there is anything in it. John Hume is a failed political entity who is talking a mumbo-jumbo of platitudes and clichés and Dublin is trying to rescue him.

"There are one million members of a Unionist majority [in Northern Ireland] and we are not to be allowed to hear what deal Mr Hume did with the IRA.

"That is not a basis for agreement let alone trust . . . I believe it is a cruel and heartless con trick."

The Irish cabinet is to discuss the Hume-Adams proposals next Tuesday. Mr Reynolds said on Wednesday he believed that any negotiated settlement should be put to a "simultaneous" referendum north and south of the border.

But he also reaffirmed the effective right of Unionists – who want Northern Ireland to remain part of the UK – to veto any new constitutional arrangement for the province, as established in the 1985 Anglo-Irish treaty.

Long-distance call: technician John Simpson is pictured with 1,100 nautical miles of cable on board BT Marine's flagship C S Sovereign. The cableship is en route for South Africa and is one of six ships installing and maintaining cables for British Telecommunications. Even in the age of the satellite 60 per cent of all calls still use cable

Implant birth control launched

By Clive Cookson, Science Editor

A CONTRACEPTIVE implant designed to prevent pregnancy for up to five years will be available in the UK from next week.

The introduction of Norplant was welcomed by the Family Planning Association as an important "extension of contraceptive choice for women".

The product was developed by Leiras, a contraceptive manufacturer in Finland, and the Population Council, a charity based in New York. They are licensing it for sale by various international drug companies.

Norplant consists of six small rubber tubes, each about the size of a matchstick, which are inserted (under local anaesthetic) beneath the skin of the upper arm.

They release levonorgestrel, a hormone used in contraceptive pills, at a steady rate into the bloodstream for as long as five years. If the women wants to have a baby, the capsules are simply removed.

Dr Martyn Walling, a family doctor and family planning instructor, said: "Norplant offers for the first time a method of contraception that is as effective as surgical sterilisation but is reversible within 24 hours." Its greatest advantage is that the woman does not have to remember to take a pill every day.

American Home Products, the US licensee, has sold Norplant to 750,000 women since its launch there two years ago. The UK is the first country in the EC to approve Norplant; the UK licensee is French-owned Roussel. Roussel will charge the National Health Service £179 for Norplant – significantly below the $350 (£232) US price. Although Norplant will be less expensive over five years than taking the pill, the initial cost to the NHS will be much higher.

"We expect consumer demand to be high and we are worried that some women will not be able to get Norplant," said the FPA.

Some Names back corporate member plan for Lloyd's

By Richard Lapper

ONE OF the biggest organisations of Lloyd's Names – the individuals whose assets support the insurance market – is to recommend that its members vote in favour of the market's plans to admit corporate members. A members' decision is expected at an extraordinary general meeting this month.

The decision of the Association of Lloyd's Members (ALM), which represents as many as 9,000 Names, will boost confidence at the insurance market where there are hopes that as much as £1bn in corporate capital will back Lloyd's syndicates next year.

However Lloyd's still faces potential opposition from a second important group representing Names involved in legal action. Mr Christopher Stockwell, chairman of the Lloyd's Names Associations Working Group (LNAWP), said he would reserve judgment on the plans until October 18, two days before the egm.

Mr Neil Shaw, the ALM chairman, said the ALM's committee had studied an independent report which showed Names would not be disadvantaged by the entry of new corporate investors. The ALM and the LNAWP jointly commissioned the report.

It is understood that the advisers, who have not been named, are a leading firm of actuarial consultants.

"In their overall opinion the proposals will be beneficial to Lloyd's and all of its members and may even be necessary for the future prosperity of the society," said the ALM.

Mr Shaw said that the ALM was "satisfied" with assurances given by Mr Peter Middleton, the chief executive of Lloyd's, that Names will be able to maintain their involvement in the market at levels reached in 1993.

Although Names have been hard hit by losses of more than £6bn in the past five years, many are now anxious to continue trading at the market in view of improved prospects for profits.

Lloyd's aims soon to make an out-of-court offer to Names taking legal action to recover losses. Mr Middleton told the ALM that if a settlement is reached, arrangements "would be made for damaged Names to continue underwriting".

No complaints over £190 for 52-hour week

Alison Maitland on why everyone at Yewtree Farm still wants the Agricultural Wages Board

TRACTOR driver Norman Davidson works 52 hours a week, starting at 5am or 6.30am and knocking off at around 5pm. He is on duty for 12 consecutive days before having two days off.

Working with his boss and two colleagues at Yewtree dairy farm in the heart of Kent, south-east England, he does everything from milking the 180-strong herd to clearing slurry, mending fences and ploughing.

For this he takes home £190 a week. Yet Mr Davidson, who has worked on farms for 20 years, counts himself lucky.

Thanks to the Agricultural Wages Board, whose future is in jeopardy because of a government review, he lives rent-free in his cottage, which is "tied" to his job. He earns a reasonable overtime rate, has at least three weeks' paid holiday a year and is entitled to buy farm produce for his family at wholesale prices.

The board is the country's last remaining statutory body fixing minimum wages for low-paid workers. It is in the sights of Mrs Gillian Shephard, agriculture minister, who steered legislation abolishing wages councils through parliament.

This time she faces opposition from an unlikely alliance of employers and the Transport and General Workers Union, whose agricultural branch speaks for the country's 240,000 farmworkers. The board, whose powers stem from the 1948 Agricultural Wages Act, sets minimum pay for a 39-hour week for five grades of farmworker, starting at £138. It provides for sick pay, holidays, overtime rates and a rent ceiling of £1.50 a week for tied cottages.

Mr Davidson fears the loss of these benefits. "It would be every man for himself," he says. "It's not so much the money, it's the security. There would be a lot of disquiet because you would have no basis for knowing what you're entitled to."

The National Farmers Union says that 85 per cent to 90 per cent of its members support the board, and yesterday its council called for it to be kept in its present form.

Mr Davidson's boss, farmer David Prentice, says abolition would lead to higher wages for some skilled workers, particularly on livestock farms where they are needed round the clock. But isolated farmworkers with little clout could well see cuts in real income, while farmers could face strife on their doorstep.

"I don't want the aggravation of negotiations," he says. "I don't want to see the safety net of the wages board going."

Under pressure from both sides of the industry, the government has extended the period of consultation until November. It says it is open-minded.

However, time is of the essence. The government has to denounce two International Labour Organisation conventions on minimum wages and paid holidays in agriculture if it wants to abolish the board, and it can do this only once every 10 years. The year-long period for deratifying ILO Convention 99 began this August, while that applying to Convention 101 begins next summer.

Ultimately it may be the clout of farmers that settles the issue. "As a general rule, farmers tend to get their own way," says Mr Prentice. "If the farmers' union puts in a good campaign, it will stay."

Man from Oman sells sand to Gulf States

By Andrew Baxter

THEY USED to talk about hauling coals to coal-rich Newcastle upon Tyne as the ultimate in unlikely business opportunities. The modern equivalent might be selling chips to Silicon Valley – or transporting sand from the UK to the Middle East.

For the past year, Mr Ted Bonner has been doing just that, arranging for the dispatch of containerloads of sand to Oman and other Middle Eastern countries.

The unlikely exports involve silica sand, which is widely used in filters for water treatment in desalination plants, sewage works and especially swimming pools. Silica sand is not readily available in the Middle East, says Mr Bonner. That means it has to be imported, creating an opportunity for UK-produced silica sand that Mr Bonner is determined to exploit.

A civil engineer, Mr Bonner went to work in Oman in 1980, and returned to the UK last year. He had been working for a swimming pool company in Oman, which became his first customer for the silica sand which he supplies.

Mr Bonner says the business has its curious side. "I was in Dubai earlier this year, sitting in an office discussing the price of silica sand when there was a sandstorm outside."

The notion that commercial property lags the main business cycle is wrong, argues **David Shaw**

Leaders and laggards

A mouth-watering cocktail of commercial property valuations – yields exceeding 9 per cent and capital values some 40 per cent below their 1989 peak – should have prompted institutional investors to snap up property at bargain prices 12 months ago.

But the cocktail proved unappetising. It was to be another year before institutional buyers would rediscover their taste for commercial property.

What went wrong? Most UK institutional investors believe that commercial property values still lag the main business cycle. This time differential, they add, can be beneficial to the industry: it gives institutions plenty of time to react after the economy has turned.

Institutions' willingness to watch the economy turn before making their own investment decisions is intimately linked to their rationale for buying property in the first place. Property provides a future stream of rental income, which is at least partially inflation-linked, via upward-only rent reviews.

Commercial property is therefore perceived by institutions as an attractive home for the funds of those investors which have inflation-linked liabilities such as pension funds.

Since inflation typically lags the business cycle by up to two years and is believed to drive property values, the commercial property market has come to be characterised as "late cycle" – one that lags the main business cycle.

Nevertheless, there is a negative side to commercial property investment – buildings are not a very liquid asset, unlike equities and bonds. This dilemma poses a problem for any fund manager who needs to make significant and rapid changes in a fund's property weightings in accordance with the swings in a business cycle.

Despite this drawback, most fund managers remain comfortable with property as an asset. Fund managers believe they have ample time after spotting the turn in a business cycle in which to make strategic changes in their property weightings.

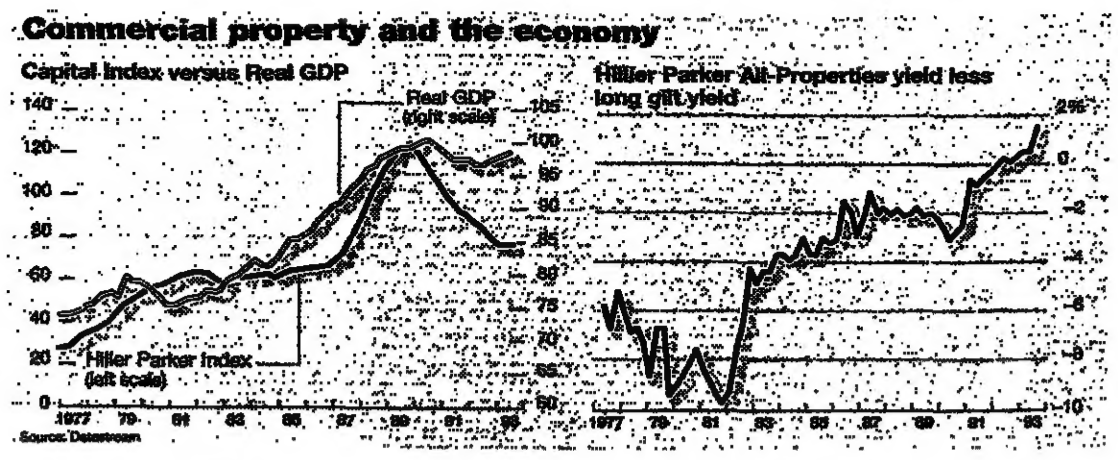
The conventional wisdom of 'late cycle' does not stand up to scrutiny

But they are wrong. The conventional wisdom of "late cycle" does not stand up to scrutiny.

The evidence from a comparison of the behaviour of commercial property values and real gross domestic product shows that over the period covering the last three UK business cycles (1970-92) changes in commercial property values and real GDP have invariably coincided.

The property investor should, on this evidence, be treating the markets as an "early cycle" play – assessing his position and making investment decisions ahead of the general business cycle. Ignoring this "early cycle" factor would doom him to chasing prices up while a seller would be resigned to pursuing falling values.

As chart one shows, in a comparison of the absolute level of commercial property prices and real GDP, commercial property prices in the last cycle peaked in the fourth quarter of 1989 – two quarters before the peak in GDP.



Similar time-lags have been identified in the UK economy, which bottomed out in the second quarter of 1991. The difficulty for investors on both occasions was that their recognition of a turn in the economy would have lagged by two quarters – the extra time was needed by investors to assimilate and respond to final official figures on the economy as a whole.

Given that on average it takes a further six months to conclude a property transaction the investor would only have been in a position to amend his investment portfolio in the middle of this year – some 18 months into the economy's tentative recovery.

Such time-lags provoke uncertainty and impede investments. What investors need, above all, is a reliable early warning signal that business activity and commercial property prices are on the turn.

The preferred early warning indicator is interest rates, which provide a reliable and sufficiently long-lead indicator of business activity, primarily for three reasons:

● *First, changes in interest rates* will affect the real economy by altering individual consumption levels and the willingness of companies to invest. With a 12-18 month lag, tenant demand for commercial property begins to respond to changes in aggregate expenditure in the economy.

● Second, a large number of property transactions are financed by bank borrowings and are therefore sensitive to interest-rate changes. The volume of property transactions may be even more sensitive to the willingness of banks to make extra loans to the sector, given the extent of their bad property loans following the boom and bust of the late 1980s. The availability and cost *of finance will have a greater* impact over the short term than changes in rent levels (which are made every three to five years).

● Third, holding financial assets incurs an opportunity cost – the interest forgone on cash deposits. When interest rates for deposits fall they enhance the relative attractiveness of yields on all other financial assets, including property. The same is true of long-term interest rates on, for example, government bonds.

On this basis it should have been possible to spot a "sell signal" well in advance of the peak in property prices in mid-1989. This peak had been preceded by UK short-term interest rates reaching their low point 18 months earlier. An institutional investor acting at this low point in interest rates would have had a year in which to find buyers – allowing for the six months it commonly takes to conclude a property transaction.

The market should have spotted a 'sell signal' ahead of the property peak

When should investors have spotted the buy signal? A declining trend in UK short-term interest rates only became apparent in the first quarter of 1991, when rates were 14 per cent, accelerating in the third quarter of 1992 when sterling left the exchange rate mechanism.

Given the normal time-lags, economic recovery could have been expected to begin in the first quarter of 1992, which it did. In principle a property market recovery should have been discernible by September 1992.

Yet by this summer there had not been a significant rise in property prices. However, the market average indicated by the Hillier Parker Capital Index masks a big rise in property prices in the significant retail segment of the commercial property market in the six months to June. Some properties with strong creditworthiness and long leases have already seen increases in value in excess of 10 per cent.

In the present cycle, not only has the buying signal been given by an earlier decline in short-term interest rates, but it has been reinforced by the accompanying fall in long-term rates. The consequence is that for the first time in a generation property yields stand at a premium over long gilt yields.

This suggests that investors are, *in effect*, valuing commercial property on the premise that future rental increases offer no protection against inflation. But worse than that, it actually implies negative rental growth over *the lifetime of* property assets.

This is unduly pessimistic. Inflation still exists, albeit at a historically low level. It is therefore a factor which must be accounted for when valuing property assets. A full valuation of commercial property should reflect the importance of this hedge against inflation, which is provided by upwards-only rent review clauses included in most commercial property leases.

On this basis we expect property to resume trading on lower yields than bonds. We shall remain buyers for some time to come.

The author is director, bonds and investment strategy, Legal & General Investment Management

LEGAL NOTICES

THE INSURANCE COMPANIES ACT 1982
THE CONTINENTAL INSURANCE COMPANY (EUROPE) LIMITED
TRANSFER OF GENERAL BUSINESS

NOTICE IS HEREBY GIVEN that The Continental Insurance Company (Europe) Limited ("Continental") applied to the Secretary of State for Trade and Industry on 1st October 1993 for his approval, pursuant to Section 51 of the Insurance Companies Act 1982, to transfer to Lombard Continental Insurance plc all its rights and obligations under marine policies of insurance and reinsurance written by Continental in the United Kingdom before 31st December 1991.

A copy of the statement setting out the particulars of the proposed transfer is available for inspection at Continental's office at Continental House, 77 Gracechurch Street, London EC3V 0DL during normal business hours on any day (other than a Saturday or Sunday or public holiday) prior to 8th November 1993.

Written representations concerning the transfer may be sent to the Secretary of State for Trade and Industry, Insurance Division, 10-18 Victoria Street, London SW1H 0HN before 8th December 1993. The Secretary of State will not determine the application until after considering any representations made to him before that date.

The Continental Insurance Company (Europe) Limited
1st October 1993

THE INSURANCE COMPANIES ACT 1982
FIREMEN'S INSURANCE COMPANY OF NEWARK, NEW JERSEY
TRANSFER OF GENERAL BUSINESS

NOTICE IS HEREBY GIVEN that Firemen's Insurance Company of Newark, New Jersey ("Firemen's") applied to the Secretary of State for Trade and Industry on 1st October 1993 for his approval, pursuant to Section 51 of the Insurance Companies Act 1982, to transfer to Lombard Continental Insurance plc all its rights and obligations under marine policies of insurance and reinsurance written by the United Kingdom branch of Firemen's in the United Kingdom before 31st December 1991.

A copy of the statement setting out the particulars of the proposed transfer is available for inspection at Firemen's office at Continental House, 77 Gracechurch Street, London EC3V 0DL during normal business hours on any day (other than a Saturday or Sunday or public holiday) prior to 8th November 1993.

Written representations concerning the transfer may be sent to the Secretary of State for Trade and Industry, Insurance Division, 10-18 Victoria Street, London SW1H 0HN before 8th December 1993. The Secretary of State will not determine the application until after considering any representation made to him before that date.

Firemen's Insurance Company of Newark, New Jersey
1st October 1993

IN THE MATTER OF WISLEY CONTRACTS LIMITED
AND IN THE MATTER OF THE INSOLVENCY ACT 1986

NOTICE IS HEREBY GIVEN pursuant to Rule 4.106 of the Insolvency Rules 1986 that on 30 September 1993 I, SURJIT KUMAR SINGLA of Singla & Company, 49 Queen Victoria Street, London, EC4N 4SA was appointed Liquidator of the above-named company by the members and creditors.

Dated 30 September 1993
S K Singla
Liquidator

PERSONAL

COMPANY NOTICES

CANADIAN PACIFIC LIMITED
(Incorporated in Canada)
ST. LAWRENCE & OTTAWA RAILWAY COMPANY
Copies of the Balance Sheet of the above Company as at December 31 1993 are available and may be obtained from this office during normal business hours.
D.R. Keast
Deputy Secretary
62-65 Trafalgar Square
London WC2N 5DY

The economy: growth rate slips below target..........Page II

FINANCIAL TIMES SURVEY

TAIWAN

Friday October 8 1993

Taiwan has much to gain from developing an economically rational relationship with the Chinese mainland. Closer contacts must be properly managed and conducted in tandem with further liberalisation on Taiwan, reports **Simon Holberton**

An island in search of its identity

Taipei: the soul searching may be the inevitable consequence of an authoritarian government releasing constraints on participation in public life and lifting prohibitions on private expression

TAIWAN is an island in search of its identity. In the process of rediscovering its past and trying to define what makes itself special, Taiwan faces the future full of uncertainty.

In one sense this is nothing new for the people of Taiwan. They have lived with the threat of invasion from communist China ever since the creation of the People's Republic in 1949, four years after the Kuomingtang (KMT, Nationalist) government took control of the island from a defeated Japan.

But what makes the uncertainty of today different is the confusion within government, business, and society more generally about where the nation's future lies and what Taiwan's proper role in the world should be. Taiwan has come to a crossroads and is unsure which way to go.

Taiwan's search for identity – the result of the political liberalisation which has occurred over the past 10 years – has produced a flowering in letters and the arts. Modern Taiwanese painters are blending western technique with an oriental sensibility to produce work of great originality. The Taiwanese are also delving deeper into their recent past – no longer off-limits for academic and popular research – and the culture of the indigenous people who have lived on the island since well before permanent Chinese settlement.

This awakening in Taiwan has thrown more starkly into relief the divisions within Taiwanese society about the way forward. That future used to be fairly simple: as part of a united China, some day. But no longer; the island's cultural development and its rapid democratisation have produced among the people a reaction against reunification with the mainland, and active pockets of proselytes for independence who dream of a Republic of Taiwan.

Perhaps the soul searching presently under way is the inevitable consequence of an authoritarian government releasing the constraints on participation in public life and lifting the prohibitions on private expression. But unlike much of Latin America or South Africa, which went through a similar process of political and social change in the 1980s, Taiwan is not a pariah state ready for international rehabilitation. It is recognised by a diminishing number of states in the international community. Less than 100 miles to the west of the island lie 1.2bn Chinese people ruled by a government which wants what it regards as its territory back.

If the indecision within the Taiwanese mind were confined to Taipei's chattering classes then it would be of little consequence, but it is not. The government is deeply divided over policy towards the mainland. Many of its own current and former supporters believe that the KMT government's real agenda is not reunification – as it proclaims – but independence. The latest piece of evidence is Taiwan's abortive attempt last month to have its status reconsidered by the United Nations General Assembly.

Businessmen – many of whom value the new-found freedoms that democratisation has brought – are convinced that closer economic ties with the Chinese mainland are not only inevitable, but desirable if Taiwan is to prosper. The government's prohibition of direct trade and communications links with the mainland – the absence of which cost Taiwanese business dearly and enriches Hong Kong greatly – cannot, however, go on indefinitely.

In mid-1997, Hong Kong reverts to Chinese sovereignty and what was once an indirect trade route with the mainland becomes a direct one. In spite of itself, the government soon will have to face up to reality.

The conundrum posed by the mainland – especially its recent opening to the outside world and the urgency with which the government on Taiwan has to deal with it – was summed up, but not faced, by a paper published this July by Taiwan's Council for Economic Planning and Development, (CEPD).

"The high degree of complementarity in economic conditions on the two sides of the Taiwan Straits, as well as special factors such as geographical proximity, blood affinity, and cultural background, have resulted in a rapid increase in economic and trade contacts between Taiwan and mainland China," it noted.

"In the long-term, the further integration of the two economies is a trend that would be difficult to stop. The important question for Taiwan, therefore, is how to face up to the situation across the Taiwan Straits, grasp the initiative, strive for mutually beneficial development and secure Taiwan's position of economic leadership."

Fine sentiments, but unfortunately few solutions. The CEPD, which is part of Taiwan's cabinet, did not depart from the government's mainland policy. All it could do was urge a relaxation of some restrictions, such as those which apply to imports of semi-manufactures from the mainland, not a fundamental reappraisal of the policy.

This is the fatal flaw in the CEPD's economic revitalisation programme, a plan which aims to increase the economy's competitiveness through deregulation and opening it further to international economic forces to create on Taiwan an Asia-Pacific regional operations zone.

In outline, the plan attempts to cure the problems inherited from the explosive growth of the 1980s in asset prices by bearing down on rising labour and land costs. Looking forward, it seeks to raise the economy's level of technological sophistication, free access to international capital markets, and develop sea and air communications so that Taiwan can become a regional hub for trade.

But realising the government's hope of remaking Taiwan anew may prove to be the most difficult feat to pull off for the island's hitherto impressively successful planners. Without direct access to mainland China the willingness of international business to locate on Taiwan would appear limited.

"What the government cannot bring itself to do is take a pragmatic approach and find a more effective way to deal with the situation," says one local businessman, articulating the prevailing view. "I do not agree that greater contacts will lead to dependency. Taiwan's businessmen are not stupid; none want to be dependent on China. In any event, the investment on the mainland cannot be stopped. It is like water; you cannot stop it flowing, so you'd better direct it.

"The question is how to prolong the process as long as we can so as to ensure that when unification comes it is not a problem for us."

Taiwan has much to gain by developing an economically rational relationship with the mainland. But it has much to lose as well. The struggle for political rights, to which the KMT-led government was forced to respond in the mid-1980s, was hard won. Taiwan, along with South Korea, is giving the lie to the assertion that Asians cannot govern themselves through free institutions but have to be ruled by an iron and unforgiving hand, lest they run amok.

Multi-party democracy – still rough around the edges – is taking root on Taiwan, giving voice to popular demands for a cleaner environment and better social services and welfare. Given Beijing's attitude toward Hong Kong's democratic aspirations, Taiwan has much to fear from a closer embrace with the Chinese communists.

But of the many things which distinguish Taiwan from Hong Kong three stand out. Taiwan is able to feed itself; it is able to govern itself; and it has an independent military deterrent. Closer contact with the mainland, if properly managed, and conducted in tandem with further liberalisation on Taiwan, ought not be a difficult trick to pull off. All it needs is the political will.

■ THE ECONOMY

Growth rate slips below target

NOT many countries would be dissatisfied with real output growth of 6 per cent a year and inflation below 4 per cent. Add to that a government deficit and official debt which account for just 1.6 per cent and 8 per cent of the economy respectively and most European finance ministers would be lining up to receive the William Gladstone prize for fiscal rectitude.

Not so in Taiwan. A sluggish world economy has caused the island's growth rate to slip below the government's target of a 7 per cent annual expansion for most of this decade. The economy's under-performance, relative to expectations, has meant the deferral of an ambitious plan to rebuild and extend Taiwan's industrial and social infrastructure. The government now puts Taiwan's long-term potential growth at 6.5 per cent.

Private economic forecasters have also revised downwards their predictions for the economy's short-term economic outlook. In July, Baring Securities, a British brokerage, expected growth in excess of 7 per cent next year. Now it is looking for 6.5 per cent in 1994 and has deferred until 1995 its hope for even faster expansion.

Mr Peter Kurz, head of Baring in Taipei, says: "Taiwan is an investment, supply-side-led economy. We expect 6 per cent growth this year and see it picking up to 6.5 per cent in 1994. If exports also pick up – and a lot depends on the US economy and China – then we could be looking for 7 per cent in 1995."

Growth in company profits, he says, tends to be sluggish, below 7 per cent growth in gross national product (GNP),

Taiwan's economic development has been one of the great success stories

Taiwan's favoured measure of output which includes net income earned abroad. "Above that, corporate earnings rise by 20 per cent to 30 per cent," he says.

Taiwan's economic development has been one the great success stories of the post-Second World War era. The island's economic planners have pulled off a rare feat in economic management: rapid growth in output, full employment and price stability.

From 1984 to 1991 the island chalked up a growth in real GNP of 8.6 per cent a year, while consumer prices inflated by just 1.8 per cent a year. The average unemployment rate during the same period was 2.1 per cent.

This performance is made all the more remarkable given that Taiwan, along with the rest of the capitalist world economy, participated fully in the asset price inflation of the 1980s.

Mr Lee Kao Chao, director of economic research department, Council for Economic Planning and Development, says: "The result of our economic success has been sweet but the problems created by the trade surplus have been more bitter. The trade surplus of the 1980s created excess monetary growth and an asset bubble. The stock market index rose from 650 in 1985 to 12,650 by 1990. Land prices rose by four times. The bubble has now burst, but we have been left with high land prices and high wage levels. The 'money game' has produced a poor climate for investment."

Official figures underline the impact that the "money game" has had on Taiwan's manufacturing sector. Since 1986 average earnings in manufacturing have nearly doubled. Employment in manufacturing peaked at 2.8m workers in 1989 since when more than 300,000 jobs have been shed. Yet the story of manufacturing on Taiwan is not all gloomy.

Productivity has grown nearly 60 per cent between 1986 and the end of last year, keeping the rise in manufacturers' unit labour costs to 26 per cent over the seven-year period. In some industries, notably electronics, productivity has risen by more than 80 per cent, while the rise in unit costs has been negligible: just 13 per cent.

"Taiwan is an economy of small companies," says Mr Kurz. "If you are dedicated to making one product then you make sure you are the most competitive."

The government can do little directly to affect wages but where it can have an impact is in land prices. Since the summer it has announced plans to sell state-owned land at reduced prices for existing and new-entrant manufacturers, especially those engaged in high technology.

Those parts of the production process where Taiwan's manufacturers have lost competitiveness are at the labour-intensive end of the manufacturing process. These jobs have migrated to mainland China where, since 1989, Taiwanese industry has made great inroads, especially in footwear and food.

The government is particularly concerned that investment on the mainland will lead to a shortage of capital for investment on Taiwan. Another concern is that wholesale migration of industry will lead to a "hollowing out" of the manufacturing base on Taiwan and a compensatory increase in the island's dependency on

Taiwan's trade surplus is sustained by its trade, via Hong Kong, with the mainland

the mainland economy.

Elements of dependency have already become a reality – Taiwan's trade surplus is sustained by its trade, via Hong Kong, with the mainland – but Taiwan is a long way from being hollowed out, or from being totally reliant on the mainland for its economic well being.

A lot of "investment" has been speculative property investment. It has been estimated that more than $5bn has been pumped into China's property market, mainly in Shanghai, Beijing and Guangzhou (Canton). With the tightening of economic policy in China since the summer, many believe that these investors may get their fingers burnt.

The tightening in monetary policy in China and a corresponding easing of monetary policy on Taiwan is expected to give a fillip to private investment on the island. After a recovery in growth last year, private investment is expected to rise by nearly 13 per cent this year and about 10 per cent in 1994.

In the meantime the government has taken a fresh sighting and is trying to chart a course for the Taiwanese economy which envisages becoming "Asia-Pacific regional operations zone". The government has promised NT$3bn of tax credits for industry – to encourage investment – and earmarked a further NT$20bn in state support for the island's high technology industries.

Overhanging this strategy, however, is Taiwan's troubled relations with the mainland. Until both arrive at a modus vivendi it is debatable whether this latest chapter in Taiwan's economic development can be as successfully realised as past policies were.

Simon Holberton

KEY FACTS

Area	36,000 sq km
Population	20.6 million
President	Lee Teng-hui
Currency	New Taiwan dollar (NT$)
Average exchange rate	1991 $1=26.55 NT $
	1992 $1=24.93 NT $

ECONOMY	1991	1992
Total GDP ($bn)	175.4	206.8
Real GDP growth (%)	7.2	6.6
Components of GDP (%)		
Private consumption	54.3	55.6
Total investment	11.8	12.9
Government consumption	17.9	17.5
Exports	48.5	44.5
Imports	-43.4	-42.0
Annual average % growth in		
Consumer prices (%)	3.6	4.5
Ind. production (%)	7.3	3.6
At year end		
Unemployment rate (%)	1.4	1.3
Official foreign reserves ($bn)	82.4	82.3
3 month interbank rate (%)	6.67	7.38
Stock market at year end [1]		
Market capitalisation ($bn)	78.8	64.7
Growth in share prices (%) [2]	-7.4	-18.0
Trade		
Current account balance ($bn)	12.0	8.2
Exports ($bn)	76.2	81.5
Imports ($bn)	62.9	72.0
Trade balance ($bn)	13.3	9.5
Manufacturing trade		
Exports ($bn)	70.5	73.0
Imports ($bn)	46.6	52.9

(1) From IFC Emerging Markets Database.
(2) Annual % increase IFC local currency price index.
Sources: Datastream, IFC.

■ FOREIGN RELATIONS

China issue is most divisive

RELATIONS between Taiwan and the Chinese mainland were, until recently, relatively straightforward. Both sides laid claim to the other's territory and both were locked in a theological debate about who were the rightful rulers of "all China".

Taiwan's rapid industrialisation, as well as China's economic reform, have, however, significantly complicated the issues. Cold War-era antipathies are being submerged by today's booming – although officially indirect – trade across the Taiwan Straits with mainland China.

At the same time, Taiwan, with its new-found wealth and democratic liberties is anxious to achieve western recognition and play a fuller role in the world community. Yet movement on this front is largely dependent upon Taiwan's status in relation to China.

The simplicity of the past has been replaced by hand wringing and confusion in Taiwan about how to deal with the "China question". No longer incommunicado, Taipei and Beijing are committed to promoting greater understanding between their peoples. Yet critical questions remain. Taiwan is asking itself at what pace contacts with mainland China should proceed, and what the ultimate result of increasing contacts will be.

Relations between Taiwan and the mainland have become the most divisive issue in Taiwanese society and politics, leading to the recent fracturing of the ruling Kuomingtang (KMT) party and weakening business support for the government.

To fully understand what is happening in Taiwan, one needs an acute sense of the difference between appearance and reality, of words and deeds. The current KMT leadership under the guidance of President Lee Teng-hui says its wants a reunited China. But its every action suggests that what it really seeks is an independent Taiwan, in part to placate the increasingly powerful DPP opposition party. This was best exemplified last month by Taiwan's abortive attempt to seek membership of the United Nations, from which it was ejected in 1971 when the communist government of the mainland replaced it as the representative of China. Re-entry into the UN represents Taiwan's ambition to achieve broad international recognition of its sovereignty.

In the event, China voiced strong objections, saying that admitting Taiwan to the UN would set an "abominable precedent" and would interfere in China's internal affairs. The steering committee of the UN General Assembly declined to put Taiwan on its agenda, dismissing the issue without even voting.

Taiwan's was backed by a handful of Central American nations with strong economic ties: Belize, Costa Rica, El Salvador, Guatemala, Honduras and Nicaragua. These, together with several African nations, constitute the rump of the international community which still affords Taiwan full diplomatic recognition.

Most western countries have only *de facto* relations with Taiwan, stationing officials in Taipei at quasi embassies called trade offices and limiting official diplomatic contacts.

The US and Europe (with the exception of the Vatican) recognise Beijing as the sole legal government of China, including Taiwan. Western democracies are keen to take full advantage of the huge potential for trade and investment that China's economic reforms have created. Rather than risk conflict with China, the US, which is Taiwan's greatest supporter in the developed world, has warned the Taipei government that its attempt to penetrate the UN and its system of multilateral agencies is ill judged.

"It would be unwise [of Taiwan] to confront the Clinton administration with a choice between Beijing and Taipei," said Professor Ralph Clough of Johns Hopkins University at a recent conference. "Taiwan's long-term interests will be better served and US support more easily maintained by continuing the existing policy of pursuing economic and other interaction with mainland China, while at the same time seeking an

Taiwan's relations with China are now being shaped by economic trends

improved position in the international community."

Nevertheless, Taiwan is not giving up. "We are fully aware that it would be extremely difficult for us to achieve our goal to join the UN," said President Lee Teng-hui," but we will. . . continue to work hard for our cause."

Echoing the sentiment, Mr I-Jen Chiou, a senior opposition DPP official, says: "We do not think we can join the UN easily. Maybe we will need 10 or 20 years of effort. We quite understand we have a long battle to fight, but we want to take the first steps."

The government's decision to push for UN membership and alleged foot dragging on closer commercial contacts with the mainland is cited as one of the reasons for this summer's split in the ruling KMT. A number of leading members left to form the China New Party.

Mr Chao Shau Kang, leader of the New Party, believes that the government is wasting precious time in delaying more substantive talks with Beijing. "We have the advantage now; if we wait another three years then our advantage will be less and we will lose our bargaining chip," he says.

His view finds widespread support among business people who believe the government is powerless to stop economic integration across the Taiwan Straits. Trade between the two is growing rapidly. China is now Taiwan's fastest growing export market – exports were 20 per cent up in the first eight months of this year compared with a year ago – and the second-largest market in terms of size. It is forecast to be worth more than $8bn this year.

Where trade flows so, too, does investment. There are no reliable figures on the actual amount of Taiwanese investment which has flowed to the mainland since restrictions were relaxed, but the Mainland Affairs Council thinks it could be as much as $20bn.

The intensity of interest in China is underlined by recent mainland figures putting Taiwanese investment in Shanghai at more than $1bn in the first eight months of the year, more than the entire stock of Taiwanese investment in the previous eight years.

It is further underlined by Taiwan's retailers organising for a big push into mainland retailing. Well-known stores such as 7-Eleven and less well known ones such as Wua Shin Steak House, will soon be trading in especially designated "Taiwan shopping streets" in Beijing and Shanghai.

Mr Jack Huang, managing partner of the US law firm Jones, Day, Reavis & Pogue, says: "The government should lift restrictions on investment. They were a nice idea – a nice try – but it is clear today that China can get investment from anywhere in the world. Our investment is not that critical; our technology is not more advanced than what China can get from elsewhere. The fact is that Taiwan business has a greater need to go into China than China needs the business."

Like many business people who value the political liberalisation of the past five years, he thinks the challenge facing the government is how to prolong the process of inevitable integration to ensure that when unification comes, it poses no threat to Taiwan's newly won liberties. Others fear that Taiwan's economy will become increasingly linked to that of the mainland, intensifying its dependency upon the Chinese market and giving Beijing unacceptable power over Taiwan.

Clearly, Taiwan's relations with China, and therefore the rest of the world, are now being shaped by economic trends rather than the territorial disputes of the past. It is not clear that Taiwan knows quite what to do about it.

Simon Holberton and Louise Kehoe

■ DOMESTIC POLITICS

KMT supremacy challenged

A REMARKABLE change is under way in Taiwanese politics. The old order, represented by one-party authoritarian rule, is giving way to more plural multi-party politics. It is still too early to say where the change will lead. What seems certain is that there is little chance of Taiwan peacefully returning to the past.

The island has embarked on a process of democratisation which, when the president is popularly elected in 2¼ years, will further underline its separateness from mainland China.

And therein lies the risk for Taiwan's politicians. Taiwan's new politics has opened up debate on the island and "Taiwan independence" is now openly advocated. Beijing has resolved to prevent the island's secession from the mainland and has threatened to move quickly, using military means, to stop it from doing so.

For the time being, however, these considerations have given way to a contest for power and influence in one of north Asia's most dynamic economies and societies. In this period of transition, the supremacy of the ruling Kuomingtang (KMT), which has governed Taiwan since the end of the Second World War, is being challenged.

Business leaders and even some senior officials of the KMT now openly speculate that the government may fall from power. Five years ago the thought would have been impossible, and probably seditious; what is genuinely surprising is the apparent equanimity with which they view the prospect.

Says Mr Chi-Chu Chen, senior vice-president of the International Commercial Bank of China: "It's my view that in three years the KMT will be out of office. People are sick and tired of the status quo. In general people do not trust the DPP [Democratic Progressive Party], but they just might take the risk and vote them in. The KMT is not forever."

At the top level of the KMT, officials are phlegmatic. Says Mr James Chu, the party's spokesman: "We are concerned but not worried. Take a look at what has happened to ruling parties in other countries. Conservatives in the UK had a hard time – the same in the US and Japan. This is an era of diversity and dynamism; people want change.

"I think we are doing well.

The KMT remains very powerful and is likely to do so for some time to come

But we can't expect always to get 70 per cent and 80 per cent of the vote in elections when we are going through a process of democratisation. Some day we may be the opposition party; we know that is a price we may have to pay. That is not a failure of democratisation but the success of it."

Universally known as "the party", the KMT remains very powerful and is likely to do so for some time to come. It supplies Taiwan's president, prime minister and head of the judiciary. Moreover, more than 90 per cent of Taiwan's civil servants are party members.

It is also very rich. Companies controlled by the KMT's Central Investment Corp had at the end of February assets valued at NT$963.9bn ($37bn), making it Taiwan's largest business group. One of its important financial and political assets is its ownership of television. It is seeking to expand that control into cable TV when the government approves the establishment of cable networks.

In spite of this appearance of control, the KMT is facing pressures from many directions. Internally it is riven by faction and is showing signs of fracturing. Moreover, the Democratic Progressive Party, which advocates "Taiwan independence" and is its main external threat, has been skilful in exploiting these divisions to score a number of parliamentary victories, notably the passage of a law requiring politicians and senior government officials to reveal their personal wealth.

Although the ruling party's financial strength is a huge asset, it has become a political liability. Voters in Taiwan, especially among the educated middle classes in the cities, are tired of "money politics" (corruption). They are also questioning the efficacy of a political party playing such a powerful role in industry and commerce and the potential conflicts of interest this poses.

In last December's elections for the Legislative Yuan, Taiwan's law-making body, a group of concerned citizens formed a lobby called the Clean Election Campaign. Its purpose was to monitor vote-buying by politicians of all parties. The support the campaign received underlined the extent

The New Party promotes a curious blend of populism and conservatism

of voter dissatisfaction with corruption in Taiwanese politics.

Mr Jack Huang, managing partner of the US law firm Jones, Day, Reavis & Pogue and a leading member of the campaign, says: "Initially we did not invest a lot of hope in the success of the campaign, but to our surprise we received 700,000 letters from voters who said they would not sell their vote."

Next month the KMT will face a further test of its popularity and unity when elections for 21 county mayors and magistrates are held across the island. The party currently controls 13 of these positions, but it is widely expected that it will fare less well this time around, possibly losing the simple majority it currently enjoys.

Its rival, which controls seven localities, expects to win 11 or 12 of the local government positions. Winning a majority of the positions has become make-or-break for Mr Hsu Sin Liang, chairperson of the DPP. He has said he will resign party leadership if the party does not win more than half the seats.

The DPP sees these local elections as a chance to cut its rival off from its grassroots support through its own access to the patronage power in Taiwan. Mr I-Jen Chiou, deputy secretary general of the DPP, says: "We think we can win the coming the coming elections and if so them I think we can, through the mayors, build our power and weaken the special interests of the KMT."

At a national level, defections from the KMT to the China New Party – formed after the KMT's 14th party congress in August by a faction disaffected with the China policy – have seriously affected its ability to govern. "Ours is a large party", says the KMT's Mr Chu. "We do have a caucus in the legislature but it has become more and more difficult for us to hold them in line . . . We hope the situation will improve."

Because of the split, the KMT's strength in the 168-seat legislature has been cut from 102 to around 95 as former party members have left. Its strength there is likely to be eroded by further defections to the New Party.

This party, led by Mr Chao Shau Kang, a former environment minister and senior KMT member, promotes a curious blend of populism and conservatism. On one hand, it has taken up the battle for clean government and a clean environment; on the other it wants a more accommodative policy towards mainland China.

"We think we should have government-to-government talks and direct trade and communications links with the mainland," says Mr Chao.

In this inchoate political climate, the KMT is pushing ahead with internal reforms in an attempt to answer its critics' complaint that it is still too authoritarian. It is also considering reforms of Taiwan's legislature to change it from a forum which screens the executive's proposed laws to one which can originate legislation.

This reform would allow for a separation of the executive from the legislature, raising the possibility of an opposition-controlled legislature and a KMT executive. The reform will also pave the way for the direct election of the president in May 1996.

As Taiwan moves towards the greater use of the ballot box in determining political power, so it moves closer to independence. That may prove too much to stomach for China's Communist rulers who have never renounced the use of force to reunify the nation.

Simon Holberton

■ THE ENVIRONMENT

Big clean-up effort is under way

TAIWAN is paying the price for failing, until recently, to address environmental problems during its rush to industrialisation. "We started late," admits Lung-Sheng Chang, head of Taiwan's Environmental Protection Administration.

Evidence of unregulated pollution is all too apparent on the streets of Taipei. Rubbish collects on pavements and in back alleys. On a hot and humid evening, the smell of sewage is pervasive in the older parts of the city and the air is yellowed by a seemingly permanent pall of smog.

A big clean up effort is under way, amid mounting public pressure. Last year Taiwan's spent more than $22bn on environmental protection, with similar spending expected to continue for the next five to six years.

"We have come to realise that economic development is not, in itself, our goal. Our aim is to raise the quality of life of our people, says Mr Chang. "Unless we clean up air, water and solid waste pollution, then growth in the gross national product or per capita income becomes meaningless."

Last year a constitutional amendment revised the republic's public spending priorities to rank environmental protection and ecological conservation along with economic development.

Yet the problems created by Taiwan's rapid economic growth are immense. Rising incomes have enabled millions of Taiwanese to buy cars and motorcycles. With a population of just over 20m, Taiwan boasts 4m motor vehicles and 10m motorcycles. In the past 12 months, 500,000 new cars and almost 1m new motorcycles crammed on to the already heavily congested city streets.

High levels of vehicle emissions are accentuated by bumper-to-bumper traffic jams. "We have double digit growth in motor vehicles per year, but less than a one per cent increase in parking spaces and road area," says Mr Chang.

To combat air pollution, Taiwan has adopted the tightest emission regulations for motorcycles in the world, and is matching California's exacting standards for car emissions.

More than half of petrol consumed is now lead-free and the EPA has a target of phasing out leaded petrol by 1999.

Initial results are encouraging. Last year the number of days when air quality in Taipei remained within acceptable standards increased by 5 per cent to more than 88 per cent. Lead content in the air was reduced by 90 per cent last year.

Consideration is also being given to "pollution taxes" on petrol. "Our gas prices are very low," says Mr Chang. "We are encouraging our people to use the gasoline." Yet proposals for an increased tax on petrol are controversial because of fears that it could fuel inflation and have a negative impact on the economy.

Enforcing anti-pollution measures is difficult, especially when they conflict with business interests, Mr Chang says.

Even in Taipei, only some 18 per cent of sewage is fully treated

Industrial development plans, for example, are now subject to strict environmental impact reviews, severely restricting waste disposal and emissions. But business executives complain that environmental rules are too harsh, increase costs and place them at a competitive disadvantage in world markets.

Water pollution is another serious problem in Taiwan. Less than 8 per cent of the population has sewage processing service. Even in Taipei, only 18 per cent of sewage is fully treated. The rest is funneled into river beds, creating a health hazard. The problem has become particularly acute over recent months because Taiwan is suffering a drought. Heavy rainfall during the typhoon season normally flushes the river beds, carrying waste out to sea.

Construction of a metropolitan sewage treatment plant costing NT$1bn has begun, but is not expected to be completed for another two years. Government plans call for a huge expenditure of NT$100bn on sewage treatment systems throughout the island over the next seven years.

Yet local government agencies, which are required to raise half the cost of treatment plants for their districts – mostly through higher local taxes, have been less than enthusiastic. Local politicians put higher priority on more visible public works, such as the construction of roads and bridges, Mr Chang explains.

In an effort to push the projects forward, the EPA has proposed that the national government increase its share of the cost to 70 per cent, lowering the burden on the regions. While the public seems ambivalent towards the sewage treatment problem, proper disposal of household and solid industrial waste has become an issue of widespread concern.

Growing problem: high levels of vehicle emissions are accentuated by bumper-to-bumper traffic jams in Taipei

"The people are demanding that we clean up the streets," says Mr Chang. The Taiwanese government plans to build 22 large scale "resource recovery" waste incinerators at a cost of NT$100bn that will process more than 80 per cent of household waste and produce electric power in the process.

One incinerator in Taipei is already operating and contracts for the construction of six more will be put out to public tender by the end of the year.

Taiwan is also buying many garbage collection and street cleaning trucks. "We are making quite a lot of progress and we believe that within five years our solid waste problem will be solved," says Mr Chang.

Education is another important element of Taiwan's environmental efforts. A schools programme has been so successful that children have become the "Red Guards" of the environment, Mr Chang says.

Recycling is on the rise, with Taiwan leading the world in the recycling of waste paper. "We have a long tradition of valuing and re-using paper," Mr Chang explains. Fifty five per cent of waste paper was recycled in Taiwan last year.

Although the primary thrust of Taiwan's environmental policies is to address its domestic problems, the republic is also keen to play a role in international environmental efforts by encouraging neighbouring developing Asian countries to recognise the importance of environmental protection before they encounter the problems faced by Taiwan.

Louise Kehoe

■ AEROSPACE INDUSTRY

An eye on world aircraft markets

TAIWAN'S aerospace industry has reached a watershed in its development. Within two or three years, it should become clear whether or not it will be able to extend its engineering expertise into world markets for passenger aircraft.

Taiwan is an established components supplier to big western civil aircraft manufacturers. It is also able to produce its own military jet fighters.

Now the government is seeking to marry the two and create an industry that manufactures whole aircraft for domestic and foreign civilian markets.

The most important talks now under way are with the UK's British Aerospace and Dassault of France.

BAe wants to improve its profitability: the RJ series of regional jet passenger aircraft, which would be built partly in Taiwan, lose money for the company.

Taipei wants more development and production expertise to be switched to Taiwan

Unfortunately, talks with Taiwan have encountered difficulties since a contract to establish a joint venture was signed in London in January.

Doubts have been raised by Taiwanese banks lending money to finance the joint venture, called Avro. They are concerned that the aircraft could lose money as easily in Taiwanese hands as British.

The main hurdle, the financing of the deal, was cleared in August. But the apparently less important details of the amount of technological expertise that would be transferred to Taiwan have proved to be almost as difficult to overcome.

If, and when, these matters are settled, manufacturing could begin as early as next spring.

Talks are at an earlier stage with French aircraft builder Dassault. Taiwan is buying Dassault military jet aircraft and missiles and wants some aerospace manufacturing skills transferred to Taiwan.

Dassault is keen to keep such transfers confined to civil sector skills associated with its Falcon series of executive jets.

But Taiwan may insist on some of the Mirage work moving to the island.

Taiwan is in a strong position to demand such concessions. In Dassault's case, the deal was its first export order for four years, while BAe is still struggling to improve its profitability after a period of heavy losses.

Taiwan has two further inducements, beyond its experience in the components business, with which to persuade foreign companies to share their know-how.

It has huge reserves of capital, thanks to its successes in exports of manufactured goods. And it offers proximity to the world's fastest-growing air transport markets in south-east Asia and China.

Taiwan also wants a foreign partner as it struggles to emerge from decades of relative economic isolation thanks to China's claim over the island.

That isolation prevented the government from importing military aircraft. Instead, it went ahead with production of its own designs. Taiwan initially moved to piston-engined training aircraft and then jet trainers. Now it has advanced far enough to oversee production of its own supersonic jet fighter, the IDF (Indigenous Defence Fighter).

Yet as production of the IDF got under way last year, France and the US decided to risk Beijing's wrath by allowing the sale of General Dynamics F-16 and Dassault Mirage 2000 fighters to Taiwan.

Taiwan's air force promptly halved its order for the IDF to 150 aircraft, leaving 200 or more local aerospace manufacturers and the design and manufacturing arm of the defence ministry with spare capacity.

This spare capacity has added impetus to the drive to find foreign partners for aerospace manufacturing.

To that end, the government this summer announced the progressive privatisation of the country's military aircraft manufacturing operations, which builds the IDF, at Taichung on the island's west coast.

The first stage, scheduled for next summer, is the creation of an autonomous but state-owned company. It could lead to complete privatisation within five years, say government officials.

The move to privatise the Taichung operations follow the establishment by the government of Taiwan Aerospace Corporation (TAC) in October 1991.

This company, with a minority state shareholding, has the aim of becoming "a major Asian aerospace company by the year 2000".

It intends to accomplish this through partnerships, and it was TAC that led the Taiwan side in plans to establish the Avro joint venture with BAe.

Yet two years after its birth, TAC is still finding the aerospace industry a tough one to enter.

Although it has plenty of cash and some engineering expertise, Taiwan still lacks several essential skills specific to the civil aircraft business: integrating components, designing interiors, marketing and leasing.

And the providers of the cash, Taiwanese investors, are discovering that aircraft manufacture is a high-risk business in which they may not see a return on an investment for a decade or more. Taiwan's banking community has been among the most wary of TAC's backers in assessing whether prospective deals should go ahead.

They were partly behind the failure last year to launch a $2bn joint venture with McDonnell Douglas to design and build a new large passenger jet. Government officials blame that failure on the country's inexperience in aerospace: TAC was only a few months old and its financial backers were daunted by the prospect of investing huge sums in an aircraft whose design did not yet exist.

McDonnell-Douglas may yet come back to Taiwan for another deal

McDonnell-Douglas may yet come back to Taiwan for another deal. Unofficial reports from Taiwan suggest that the government is having talks with the company over the possibility of establishing a joint venture to develop helicopter technologies.

And the fear of being seen as a country that cannot do joint venture deals with foreign partners is certainly contributing to the survival of the BAe talks.

So it is a measure of Taiwan's determinations to establish itself in aerospace that it is prepared to enter into talks simultaneously with several large foreign companies in the field. If the drive fails to spark rapid growth in aerospace as a consequence, it will not be for lack of trying.

Daniel Green

■ INDUSTRY

Important role in PC revolution

TAKE the lid off a personal computer and the chances are very high that the main circuit board inside will have been manufactured in Taiwan.

The island now boasts a 70 per cent share of the world market for PC "motherboards" and is the largest producer of the latest "notebook PCs", prompting some to rename it the "Republic of Computers".

Information technology is now the cornerstone of Taiwan's economy, reflecting a rapid shift away from its traditional labour-intensive industries towards advanced technology including semiconductor chips, computers and computer peripherals. Last year, with sales of $8.7bn, electronics products became Taiwan's biggest export.

The personal computer is at the core of Taiwan's emergence as a world player in information technology. Last year Taiwan's exports of PC hardware reached $6.6bn, according to Dataquest, the market research group, which predicts an 11.7 per cent increase to $7.4bn this year.

PC circuit boards alone accounted for $980m in exports last year, while exports of computer monitors (displays) totalled $2.3bn. Taiwan is also the top producer of the computer "mouse" – the device used to move a cursor around a computer screen – with an 80 per cent share of the world market, according to government statistics.

Yet Taiwan's role in the PC revolution has gone largely unnoticed outside the computer industry. With the exception of Acer, Taiwan's largest PC producer, most of the computers made in Taiwan are sold under the names of foreign companies such as IBM or Apple Computer.

"Taiwan is the arms dealer to the warlords of the PC industry," says Mr Robert Lo, manager of the Taiwan operations of Intel, the leading US semiconductor manufacturer.

But why Taiwan?

Ironically, IBM, whose original personal computer design gave birth to an industry of "PC clones", played a central role in the creation of the island's PC industry.

IBM established a procurement office in Taiwan in the 1960s, when the island's economy was based on low-cost, labour-intensive manufacturing. Tatung, now one of Taiwan's largest PC manufacturers, was an early partner of IBM, manufacturing parts for its mainframe computers.

Following the introduction of the IBM PC, in 1981, IBM chose TECO, a leading Taiwanese television manufacturer, to mass produce personal computer monitors. Other Taiwan companies followed TECO into the monitor market, sparking an export boom and fuelling Taiwanese interest in the PC business.

The Taiwan government has continued to play an important behind-the-scenes role

In the same period, the Taiwanese government was actively encouraging the establishment of high technology enterprises through its Industrial Technology Research Institute (Itri). Seizing the opportunity created by the standards-based IBM PC, Itri designed one of the first "clones" of IBM's PC XT, thus providing a fillip to Taiwan's fledgling PC industry.

Over the past 10 years the Taiwan government has continued to play an important behind-the-scenes role in the island's computer industry, representing Taiwan manufacturers in their negotiations with foreign companies, undertaking research and development efforts, and providing training and market research assistance.

Taiwan's semiconductor industry, which supplies components to its PC and PC board manufacturers, provides another example of the blend of government-sponsored initiatives and private-sector ingenuity.

Its foundations were laid in the early 1970s by K T Li, then the minister of finance and widely known as the "father" of Taiwan's information industry. A frequent visitor to the US and Japan, Li established a government-funded semiconductor development project in Taiwan under the auspices of the newly formed Itri.

"Without Itri's early involvement, Taiwan's semiconductor industry would probably not exist today," says Morris Chang, Itri chairman, who credits K T Li with recognising the critical role that semiconductor technology could play in Taiwan's industrial development.

In the late 1970s, the Itri semiconductor research and development project was expanded to incorporate a pilot production line which was spun off in 1980 to form United Microelectronics, Taiwan's first – and still largest – semiconductor company. This move was critical, Mr Chang believes, because it demonstrated the commercial feasibility of semiconductor production in Taiwan, encouraging private sector investment. Six years later, another semiconductor producer, Taiwan Semiconductor Manufacturing Company, was spun out of Itri to provide production facilities for the island's burgeoning chip design industry.

A third Itri semiconductor spin-off is under consideration as the institute nears completion of a five-year advanced "submicron" semiconductor technology development project which included the construction of an ultra-clean wafer fabrication laboratory with state-of-the-art semiconductor production technology.

Chinese American engineers are attracted by the opportunities in Taiwan's industry

In addition to these official "spin-offs", former Itri engineers have populated numerous other chip design and manufacturing companies in Taiwan formed with funding from the private sector, several of them formed by Taiwanese entrepreneurs who returned to their homeland after working in California's Silicon Valley.

Typical of these is Miin Wu, president of Macronix, one of Taiwan's most promising semiconductor companies. Mr Wu returned to Taiwan four years ago after over 20 years in the US, where he studied at Stanford University and then worked in Silicon Valley. He brought 40 other Taiwanese engineers back with him from the US to form the core management and engineering team at Macronix.

This "reverse brain drain" is fuelling the growth of Taiwan's electronics industry, says Mr Chang. Chinese American engineers are attracted by the opportunities in Taiwan's burgeoning industry, in contrast to the slow economic growth in the US over the past few years, he notes.

"About two thirds of the 400 PhDs working at Itri have returned from the US. And the people with working experience in the US has also increased dramatically."

The abundance of well-qualified engineers is one of Taiwan's key advantages in the high technology industry, says D C Chien, general manager of IBM Taiwan. "Even though Korea has a population 30 times that of Taiwan, we have far more engineers."

He also praises the adaptability and responsiveness of Taiwan's relatively small enterprises. "When IBM wants something made on short notice, they deliver." IBM, for example, turned to Taiwanese manufacturers for its recently-introduced low-cost Ambra PC product line.

For all of its strengths, however, the Taiwanese electronics industry remains heavily dependent upon foreign technology and is subject to the vagaries of foreign markets. As costs rise in Taiwan, its manufacturers are increasingly shifting their operations off-shore, to China and Malaysia.

The biggest challenge, says Morris Chang of Itri, is to upgrade Taiwan's own technology base. Until that happens, the Taiwanese information industry will not be the master of its own destiny.

Louise Kehoe

■ COMPANY PROFILE: ACER GROUP

Chasing the Chinese dragon

THE Acer Group, Taiwan's largest computer company, is pursuing the "Chinese dragon dream", aiming to establish itself as the first Chinese company to become a world leader in the computer market. It is an ambitious goal, but already the company is among the top 10 in the personal computer field.

Acer's progress has made Mr Stan Shih, its founder, chairman and chief executive, a hero in Taiwan. As one of the island's most influential business leaders, he is now playing a central role in efforts to shift the island's industrial base from low-cost manufacturing to more advanced product development and marketing, or from "the bargain basement to the luxury goods department" as they say in Taiwan.

"In Taiwan we must establish our own technology development and international marketing capabilities if we are to remain competitive," says Mr Shih.

The Taiwanese electronics industry has become the island's biggest source of exports largely as a result of its ability to provide low-cost, high-volume, sub-contract manufacturing services to US, Japanese and European personal computer companies. Yet its future is clouded by rising costs that are undermining Taiwan's competitive advantages in world markets.

As Taiwan's newly industrialised economy begins to mature, the need for large-scale investment in technology development and international marketing is becoming critical, Shih maintains. "In the long run there is no other way for Taiwanese manufacturers to compete with China or south-east Asia where costs are much lower," he says.

The government is spending about $450m a year on research and development

His message has not been lost on the Taiwanese government which is spending about $450m a year on research and development programmes, much of it aimed at the information processing industry. Manufacturers also get tax credits for investments in R&D, training, automation or international brand name promotion. Yet many in the business community remain sceptical. The typical Taiwanese high tech business spends only 1-2 per cent of revenues on research and development, and another 1-2 per cent on marketing, Mr Shih estimates. "That is why they can offer low prices."

Acer's R&D spending runs at about 5 per cent of revenues, with an addition outlay of more than 5 per cent on marketing. Even this is well below many of its foreign competitors.

While there is a broad consensus that Taiwan needs to become less dependent upon foreign technology, the need for marketing efforts is less widely accepted.

Spending money on international advertising and promotion is a relatively new concept in Taiwan where many manufactured products end up bearing the brand name of a western company. Acer is one of very few Taiwan companies to have established it own name in world markets. Others include Pro Kennex, the tennis racquet maker and Giant bicycle.

Four years ago, Mr Shih became the founding chairman of a business group aimed at boosting the marketing skills of Taiwan's industries. The Brand International Promotion Association (Bipa) has attracted about 100 members who can participate in training programs in marketing, public relations, advertising, corporate identity and image building.

Bipa, initially hailed for its forward-looking efforts, came under fire two years ago when several of its member companies fell into bankruptcy and Acer itself recorded losses. "The general public blamed spending on brand promotion for the financial problems, but they were unrelated," Mr Shih recalls. Brand promotion is considered too risky, and it takes too long to see a return on the investments, he explains.

"It takes perhaps two years to see returns from manufacturing. Technology development may take three to four years and require 10 times as much effort. Image building takes one hundred times the effort. It takes a very long time."

Yet from Mr Shih's point of view, establishing Acer's brand name is a matter of necessity. "Without your brand name, without a good image, your business is unstable because you are totally dependent upon the performance of the companies that you supply." A mix of brand name and sub-contract business is ideal, he says, because one offsets the risks of the other.

Acer has also moved faster than other Taiwan companies to establish a presence in international markets. The group now has operations in more than 70 countries, many of which operate as semi-autonomous business units. Some are partly owned by local employees.

Acer's approach to "globalisation" reflects Taiwan's small-business culture. "The textbooks are all from a US or Japanese point of view, but we have to do it our own way," says Mr Shih.

Acer chief Stan Shih: his company's progress has made him a hero

"The Chinese are individuals, but they are not so good at teamwork," he explains. "A chinese manager can lead perhaps 1,000 people; in the US it might be 5,000; and in Japan maybe 10,000. That is our nature."

Three years ago, Acer decentralised its management to create independent business units and began spinning off ownership of subsidiaries to employees and local investors. The group's Taiwan manufacturing operations were split into two affiliate companies, while its most profitable sales unit, serving Latin America and Asia-Pacific, also became independent earlier this year.

In international markets, Acer has formed partnerships with its distributors, transforming them into local assembly operations by shipping sub-assemblies from Taiwan and purchasing other components locally.

The goal, says Mr Shih, is to create a consortium of "real borderless global companies with a local-touch global brand name." While prizing entrepreneurial independence, Mr Shih, unlike many of his western counterparts, welcomes government involvement in Taiwan's high-tech industry.

"We need a national strategy," he says, "to set a direction for the private sector." The government should also create the right infrastructure for the high-tech industry to flourish, he believes.

Computer companies are allowed to establish assembly operations on the mainland

"The government is like a parent, motivating its children to study hard, and rewarding them for their efforts."

In many regards the Taiwan government has served the industry well, Mr Shih believes. But "the most difficult government strategy we lack is on Taiwan-China relations."

There is a growing conflict in Taiwan between business and government over rising Taiwanese investments in mainland China. "The Ministry of Economics really understands that China is a great opportunity for Taiwan's business, but because of political issues this strategy cannot be realised," says Mr Shih.

Current government regulations prohibit the transfer of Taiwan's most advanced technologies to mainland China. Taiwan's computer companies are allowed to establish assembly operations on the mainland, but are required to prove that their investments in Taiwan outstrip those on the mainland. However, the regulations are widely ignored, even government officials acknowledge.

As one of Taiwan's most visible companies, Acer is moving slowly to establish itself on the mainland. The group has committed itself to open a keyboard and computer monitor manufacturing operation in China by the end of next year and has begun building up a network of service and distribution offices.

Some of Acer's US competitors are steaming ahead. Over recent weeks both Compaq Computer and AST Research have announced joint ventures in China.

Ironically, despite their proximity to mainland China, Taiwan's computer makers may be at a disadvantage in exploiting the potential of this emerging market.

"Today, the requirement for us to invest in China is not so critical. But it may be critical next year or in two years," says Mr Shih. He is optimistic that the Taiwan government will recognise the problem and ease its China-investment regulations in the near future.

Mr Shih compares Acer's efforts to achieve its "Chinese dragon dream" to the ancient game of "Go". It will take patience, endurance and strategic planning if Acer is to win market share, or territory, away from its competitors. The Taiwanese are hardly new to this game. The computer market is merely a new playing field.

Louise Kehoe

A basic guide for visitors

VISAS for visitors from most countries are fairly easy to obtain from Taiwan's official or, more likely, unofficial missions.

Names for the unofficial offices can vary, but are usually economic and cultural offices containing the catchwords "Republic of China" or "Taipei."

For example, in London, Taiwan's representative is at the "Taipei Representative Office in the UK."

Trade contacts: A useful source is the China External Trade and Development Council (Cetra) Tel: 886-2-725- 5200; Fax: 757-6653).

Cetra has offices in most of the leading trading nations, often together with Taipei's unofficial representation, or separately under the moniker "Far East Trade Service."

Companies more interested in investment projects can also contact the offices of the Ministry of Economic Affairs, often known as the "Economic Division" of the Taipei representative office.

Directory: If possible, travellers should purchase upon or before arrival the *Directory of Taiwan*, which offers a thorough and indispensable collection of important offices, companies and services for NT$400 ($17.50) if purchased in Taiwan.

It can also be ordered at higher prices (including postage) from The China News (one of the island's two English-language dailies) at 11F, 110 Yenping S. Road, Taipei, Taiwan. Tel: 886-2-388-7931 or Fax: 381-5987.

Getting to Taiwan now presents even fewer problems for European travellers with the growing number of direct air connections between European capitals and Taipei.

In 1993, Taipei entered into reciprocal air traffic right pacts with the UK, Germany and France. EVA Airlines now has a direct service, via Bangkok, between Taipei and London and will soon start a service to Paris. China Airlines (CAL) in September initiated a Taipei-Bangkok-Amsterdam-Frankfurt service.

Subsidiaries of British Airways and Air France also now operate flights to Taipei.

Where to stay should be determined by the visitor's centre of activity.

Lobbyists should consider hotels close to Taipei's key centres of political influence. The Taipei Hilton or the Lai Lai Sheraton are both a short walk from the Executive Yuan (or cabinet) and the Legislative Yuan and near to other key agencies such as the Ministry of Economic Affairs, the Central Bank of China, the Ministry of Finance and the Ministry of the Interior.

The main disadvantage of their locations on Chung Hsiao West and East Road, respectively, is that a main line of the Taipei mass transit system is now being built under this six-lane avenue.

Executives rushing from the Hilton or Lai Lai to business appointments in eastern Taipei will learn first-hand why most residents complain daily about the "black age" in city transport.

A compromise choice for those whose schedules are weighted with both political and corporate appointments are a number of hotels on Chung Shan North Road, including the Formosa Regent, the Fortuna, the Ambassador, Royal and the President.

Transportation from these hotels to the political zone is quick, and many local and foreign companies have offices on Chung Shan N. Road, along the city's main north-south corridor. These north-side hotels are also close to the city's traditional night-life zones.

Businessmen whose agenda is dominated by corporate appointments should choose a hotel on the east side, where most key companies and business organisations now have their headquarters.

Among the superior hotels in this region are the Ritz, Howard Plaza, Sherwood, Asiaworld, Brother, Magnolia or Holiday Inn. Businessmen whose main purpose is to participate in trade shows, international conferences or make trade contacts should consider the Hyatt near the World Trade Center on the extreme east of the city.

Most local hotels offer tour packages for businessmen or their families who have time to take in some of the island's sights.

Outside Taipei: Visitors should not think that the rest of theisland resembles Taipei. Taiwan's coast and mountain regions have a number of attractive scenic locations, including Alishan (Mount Ali) and Taroko Gorge.

Time off: The most notable of Taipei's museums is the National Palace Museum, which contains many art treasures removed by the Nationalists when they fled to Taiwan in 1948-49 (Tel: 886-2-881-2021; Fax: 882- 1440).

Taipei now boasts several fine venues, including the National Concert Hall and the National Theatre in central Taipei's Chiang Kai-shek Memorial Park.

Visitors interested in local handicrafts may consider a visit to the Taiwan Handicraft Promotion Centre on 1 Hsu Chou Rd, Taipei (Tel: 02 321-7233).

The best part of a visit to Taiwan is the food. Visitors are strongly advised to get out of their hotels and explore.

Various Chinese regional cuisines can be enjoyed – and may be ordered by simply pointing at menus by those lacking Chinese linguistic skills.

An ideal place to try Taiwanese food is "Green Leaf" (Ching Yeh) on Chung shan North Road. An alternative is a later competitor, "New Leaf" (Shin Yeh), which has several locations in Taipei.

Dennis Engbarth

MANAGEMENT

Work without strain

National Back Pain Week starts in Britain on Monday. **Carol Cooper** reports

HEALTH CHECK

FOR some people, every week is back pain week. Although estimates vary, back pain is responsible for more than 50m certified sick days a year in the UK, and a sizeable loss of output by anyone's reckoning. Since some 80 per cent of people in the west suffer back pain at some time, symptoms could be considered part of the human condition, but they are not unavoidable.

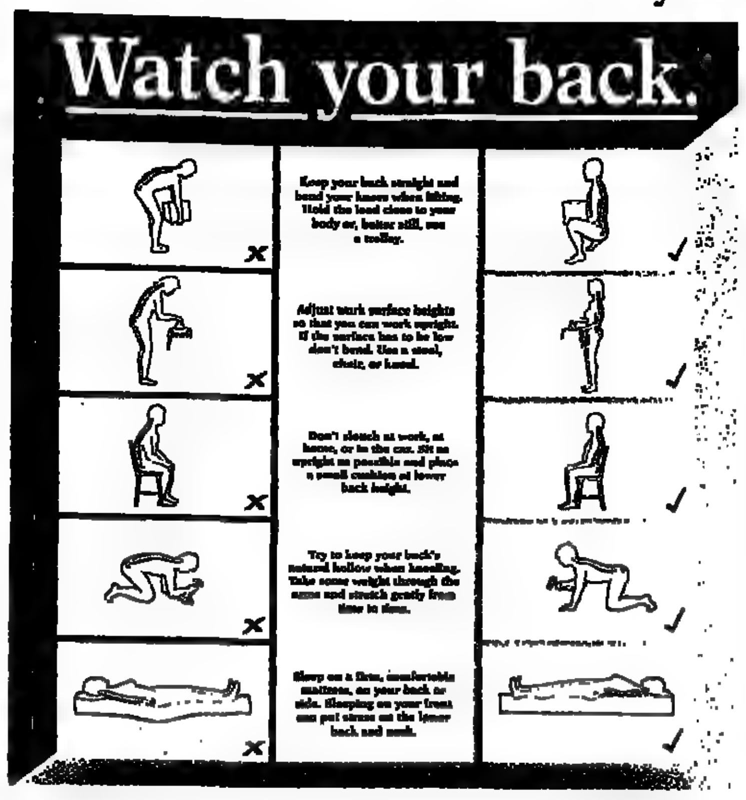
Most of those afflicted have low back pain, because the greatest mechanical stress is at the base, but pain can occur anywhere in the spine and may radiate down a leg or arm. Symptoms usually resolve with a little rest along with painkillers and perhaps local heat to ease muscle spasm.

The spine is a complex piece of machinery originally designed for creatures that walked on all fours. Tumours and other diseases do occur, but the most common cause of back pain is mechanical strain, which is where some problems could be avoided.

Many accidents reported to the Health and Safety Executive arise *from manual handling of loads*, but pain results from repetitive trauma as well as one-off injuries.

The HSE publishes guidelines on the weight of loads that should be carried. These are by no means absolute, for many factors – including workplace routine and individual fitness – affect the risk of injury. Under the Manual Handling Operations Regulations 1992, assessment of risk rests on the employer.

Employees should also reduce the need for heavy or awkward handling in order to lessen the dangers.



National Back Pain Association

Some 80 per cent of people in the west suffer back pain at some time in their lives

There are several obvious ways to do this, from making the load lighter to giving employees better training. Almost everyone knows what a good lifting technique is, but few people – even those with backache – put it into practice.

Backache also comes to those who sit and work. Research shows that much more weight passes through the discs when sitting than when standing. Perhaps this is because the spine's gentle S-shape is lost when seated. On car journeys, it is worth stopping regularly to get out for a stretch, however tight the schedules. If buying a car, it is a good idea to choose a model in which the height as well as the angle of the seat can be adjusted.

In the office, the height of chair and/or desk may need adjustment. Short breaks to stretch the back should be the order of the day.

Particular problems can arise with VDUs, of which there are close to 10m in use in the UK. Mastering a PC should include attention to the physical aspects of sitting at a terminal for any length of time.

Following EC directive 90/270, new legislation came into force in the UK on 1 January. It applies to those using VDUs for a significant part of the day, and obliges employers to evaluate possible risks (both physical and mental) to take steps to reduce risks, and to provide staff with information and training.

Back problems are less likely if elbows are at right angles and the upper arm vertical when using the keyboard. Shorter people may benefit from footrests, and under the legislation anyone who asks must have one provided.

Chairs should tilt slightly forward, and the computer screen positioned straight ahead in the line of vision, with the aid of monitor arms or telephone directories. Unfortunately this may increase glare – and eye symptoms – from the screen. It is also impossible to arrange with laptops.

Again, breaks are needed before tiredness sets in – at least once an hour for a few minutes, or as long as it takes to remove one's eyes from the screen and do some stretching, at the desk if it is impractical to get up.

The Organisation of Chartered Physiotherapists can give advice to businesses on the ergonomics of office work (Tel: 0702 77462).

The HSE Information Centre is at Broad Lane, Sheffield S3 7HQ (Tel: 0742 892345; Fax: 0742 892333).

Chiropractors in the UK are offering free back-pain screenings and posture checks next week (Call Freephone 0800 212618).

The author is a London general practitioner.

CHRISTOPHER LORENZ

The best way to rear corporate babies

LIKE lumbering behemoths let loose among a litter of their newborn, large companies have a nasty habit of trampling their fledgling ventures to death. The surviving progeny then take as long as eight to 10 years to stand profitably on their own feet. Their parents would do far better to farm out the task of child-rearing to experts who are better at it: the venture capital community.

That just about sums up conventional wisdom on "corporate venturing": *the spawning of internal* ventures by established companies. After successive waves of fashion since the 1960s, it fell out of favour in the mid-1980s, as the well-publicised experiences of a few companies, including CBS and Shell, seemed to show once again that "intrapreneurship" was rarely worth the effort and pain involved.

But this conventional wisdom is wrong on almost every count, according to a controversial book from Harvard Business School Press by two entrepreneurship professors. Called "corporate venturing", it re-analyses many studies on the subject.

Most large companies are certainly slow and clumsy. But the professors claim that quite a number has demonstrated that a fair proportion of new ventures can become profitable within two or three years if they are managed properly, and that as many as half can do so within six years.

More surprising still, the book claims that a like-for-like comparison between the record of corporate venturing and external venture capitalists shows that the latter do no better than corporations: about one in 10 investments turns out to be a blockbuster, while two or three yield mediocre returns, and the rest fail.

All this will startle anyone who remembers the spate of 1980s reports about the abysmal experience of individual large companies with internal diversification.

One should certainly be wary: the two academics, Zenas Block of New York University and Ian MacMillan of Wharton, are unashamed evangelists for corporate venturing. Moreover, assessment of ventures' success and failure, even from large-scale statistical studies, can never be crystal-clear: it is always coloured by certain assumptions.

Yet Block and MacMillan's conclusions are firm enough to rekindle the flames of corporate interest in venturing, now that the need for whole-scale revitalisation, rather than just restructuring, is being recognised by a growing number of companies (see last Monday's article on corporate creativity).

One researcher, above all, is to *blame (or thank) for the poor reputation* of corporate venturing over most of the past decade: Ralph Biggadike.

His seminal study, of 68 ventures started by 35 large US companies, was summarised in a widely-read 1979 article on "the risky business of diversification". It concluded that individual new ventures needed, on average, eight years to reach profitability, and that it took an average of 10 to 12 years for a company's return on investment in its entire venturing activity to equal that of its mature businesses.

One researcher, above all, is responsible for the poor reputation of corporate venturing: Ralph Biggadike

Block and MacMillan challenge Biggadike's reading of his own data, claiming that these "clearly show that nearly 50 per cent of ventures become profitable within four years".

This is far less clear than they claim, since the data are slightly ambiguous. My re-reading of Biggadike's original article suggests he was correct in citing a figure of 38 per cent. But this is still a respectable success rate, even if he also showed that cashflow took twice as long to go positive.

Block concedes that his book may overstate Biggadike's findings slightly, but he points to a larger study a full decade later, which suggested that more than 40 per cent of US ventures – a remarkable rate – had become profitable after less than three years.

Leaving aside the question of whether all the early performers in that survey would have remained profitable – in Biggadike's study, more than half did not – Block is right when he complains that companies are too ready to believe that a statistical study can be an accurate predictor of what will happen if they take a particular course of action.

As he says, that ignores the *unique character of every* company and every venture. Such studies can provide only general guidance. What matter are the circumstances of each case, and how well management tailors its practical actions to suit them.

It is here that the Block-MacMillan book is at its strongest. For instance, it advises companies to avoid in most cases the popular – but dangerous – step of of housing ventures in separate divisions from the mainstream business.

Instead, says the book, they should frequently be placed within existing divisions, but sheltered from normal planning and control systems; otherwise they will be strangled. They should be given high-level sponsorship, but must also manage political relationships and expectations.

In trying to make their culture more entrepreneurial and venture-friendly, say the academics, companies should not follow the popular but ineffective "cultural transplant" route: trying to imitate the innovative culture of creative giants such as 3M. Instead, they should develop their own unique brand of entrepreneurship by learning from their own past experience with innovation projects – failures as well as successes. A new venture is no less an experiment than one conducted in a scientific laboratory.

3M, Hewlett-Packard and a few other creative big companies have long shown that such careful self-education is vital for a giant which wants to avoid stifling its new ventures – and eventually consigning itself to oblivion.

Meet the business schools

The days when an MBA was the guaranteed passport to personal riches and an exciting new job disappeared with the recession. The world's most popular postgraduate business qualification is still widely admired, but, increasingly, employers want to know where it was granted.

With more than 90 business schools offering courses in the UK alone – on top of a highly visible dozen in continental Europe and a substantial low-visibility tail – individuals planning for the academic year starting next October are overwhelmed by choice.

Given that the cost of a 12-month full-time course could be as much as £25,000 – to which must be added lost earnings – their decision is not likely to be a light one.

One way to survey the options is to look at one of the guides on the market. These include the Economist Intelligence Unit's *Which MBA?* (£21.90), *Which Business Qualification?* (Kogan Page, £16.95), and the *Guide to Business Schools* published by Pitman publishing with the Association of MBAs (£16.99 including post and packing).

Another way is to attend AMBA's forthcoming Going To Business School reception at the Institute of Directors in London on Monday October 18.

The event, which lasts from 4.30pm to 8.30pm, will be attended by 24 of the top UK schools, eight continental European institutions, and eight North American.

Approximately 800 would-be MBA students attended last year; the turnout this time should be an indicator of whether the historic pattern of growth – interrupted in 1992-93 – is likely to be resumed in 1994-95.

Entry is free but pre-registration is requested using the freephone number of National Westminster Bank, the sponsor: 0800 282700.

Tim Dickson

PEOPLE

Jacomb and Norrington retire from Barclays

The first effect of the arrival of Martin Taylor as chief executive of Barclays emerged yesterday when the bank disclosed that Sir Martin Jacomb, below left, one of its two deputy chairmen, and Humphrey Norrington, below right, one of its two vice chairmen, are retiring from its board.

The retirements are both linked to Taylor's arrival from January to take over the chief executive role from Andrew Buxton, the bank's chairman. The bank need no longer maintain such an intricate structure of responsibility on its board to counterbalance Buxton's dual roles.

Jacomb, who is 63 and a member of several other boards, stayed on as deputy chairman for a year at Buxton's request, despite passing its retirement age of 62.

With Taylor's arrival Jacomb has taken the chance to leave Barclays, which he joined in July 1985, from the year end.

A signal of intentions emerged this week when Jacomb was named as chairman designate of Delta, an electrical engineering company. He already chairs the British Council and Postel Investment Management. His most vital role at Barclays was as the first chairman of its BZW investment banking arm.

Norrington's early retirement at the age of 57 follows his handing over senior responsibility for the bank's risk management this year to Sir Peter Middleton, its remaining deputy chairman. He has kept a role in risk management, as well as overseeing personnel and property management.

The bank said that Norrington, who joined Barclays in 1960 and became a vice chairman in March 1991 after being executive director in charge of overseas operations, had decided to retire from December 3.

Norrington's executive responsibilities will pass to Taylor; his departure will leave Alastair Robinson, head of its banking division, as sole vice chairman. Taylor will take responsibility for the group credit policy unit, which oversees the bank's lending.

The changes leave Sir Peter Middleton as chairman of the group credit policy committee; Taylor will join this committee.

Bank of Ireland: Downes goes up

Margaret Downes has assumed the deputy governorship of the Bank of Ireland, Ireland's second largest clearing bank. She replaces Bernard Breen, who will continue on the court of directors until next year, when he retires.

Downes, 60, has sat on the bank's court (board) of directors since 1986 and is currently chairperson of Gallagher (Ireland). She holds a number of directorships, including the UK high street retailing firm Storehouse, and Ardagh, the Irish glass container manufacturer. She has also been a former president of the Institute of Chartered Accountants in Ireland, and a former president of the European Federation of Accounting Bodies.

The deputy governorship of the Bank of Ireland is a non-executive position. Under a review of court procedures in 1991 it was decided to re-consider the position annually.

Mr Ray McSharry, the former EC commissioner for agriculture, has been the latest addition to the court, having been appointed in March this year.

London Securities eyes Hong Kong

London Global Securities, the securities lending firm set up in 1990, has tempted Hans Beckmann, 30, away from Deutsche Bank to head its new Hong-Kong based subsidiary, London Global Securities (Asia).

Beckmann was previously head of operations at Deutsche Bank Asset Management in Frankfurt. He will be supported in his new role by Katherine Pek, 31, formerly an operations manager with Morgan Stanley in Hong Kong.

London Global Securities employs 54 people worldwide and has offices in London and Greenwich, Connecticut. Its decision to set up in Hong-Kong – just four years before the colony reverts to mainland China – was inspired by the city's strategic status amid the region's emerging markets.

"For every one who thinks 1997 is a problem, there are three who think it's an opportunity," said Mike Hiard, managing director of the London subsidiary and one of the firm's founders.

■ James Collins has been appointed md of SAUDI AMERICAN BANK; he moves from the New York office of Citibank.

■ Richard Day, formerly sales development director of Pickfords, is appointed sales and marketing director of BLACK HORSE RELOCATION.

■ David Smith and David Hobdey have been appointed directors of HENRY COOKE Corporate Finance.

Watkins takes flight from Chrysalis

Nicholas Watkins has resigned as a director of Chrysalis, the music and media group, to head a management buy-out of its multi-media and in-flight television interests.

Watkins joined Chrysalis from Rank in 1989 to help it refocus its business. He has succeeded to the point where he does not feel Chrysalis has a place for him any longer. Its focus is now on the music business – which it re-entered last year – and on television broadcasting activities.

Watkins believes both sides of the business require managers with a creative background. "I'm more of a corporate suit," he says.

Chrysalis will keep 15 per cent of the company Watkins is setting up to produce material for multi-media and in-flight television companies. He is talking to another three or four potential investors.

■ John Kerridge, non-executive chairman of RANSOMES, is resigning from the board.

He is replaced by John Clement, currently a non-executive director and chairman of Anglo American Insurance. Clement is a former chairman and chief executive of Unigate and chairman of the Littlewoods Organisation.

The company's chief executive, Bob Dodsworth, has informed the board of his wish to retire in the near future. The company is seeking to recruit two further non-executive directors besides a new chief executive.

TECHNOLOGY

Electronic gadgetry can now track customer flows in and out of stores, says **Della Bradshaw**

The science of shopping

For European retailers, the ability to attract customers and persuade them to buy is often regarded as an art. In the US, on the other hand, retailing is increasingly becoming a science.

What is the optimum ratio of sales staff to customers? How does pricing affect sales? Does a particular advertisement bring more people into the store?

These are topics which US retailers can now accurately measure, using the latest monitoring equipment combined with sophisticated point-of-sale tills.

"Intuitively, we believed that all these things affected our business, but we couldn't prove it," says Phil Johnson, executive vice-president of human resources at Macy's department store, and formerly with Saks Fifth Avenue.

At Saks, Johnson installed the ShopperTrak system from Datatec to count the number of shoppers entering and leaving the store.

At its simplest level, the system was used to calculate peak traffic flows and, combined with information from the point of sale (Pos) equipment, peak "conversion" rates – how many customers were persuaded to buy.

Simple as it sounds, such data were difficult to obtain using traditional manual counting methods – such as employees using "clickers" to count customers as they entered the store.

"It is one of the simplest things in retailing – knowing how many people come into a store. But we've not had that information," says Johnson. "Eyeball" measuring, he believes, can be wrong by a factor of two or three.

"If you're running an ad, then it can produce very different traffic flows, so data collected on a different day may no longer be accurate," Johnson explains. "The lesson is that traffic is so hard to observe. But we talk about it daily."

ShopperTrak can give customer numbers every hour or for periods as short as 15 minutes. "You can evaluate what you really get from a promotion," concludes Johnson.

The ability to garner such information lay behind the decision of Pier 1 Imports, the furnishing and household goods chain, to install ShopperTrak when the US retail industry went into recession in spring 1990. "Primarily, we wanted to measure the effect of advertising," says Jim Tener, senior vice-president of operations.

The company soon realised it needed different information and that ShopperTrak could help provide it. "Preliminary results indicated alarming evidence that, in addition to advertising, we needed to focus on more fundamental issues dealing with store operations, namely improving our emphasis on customer service and selling to the customer."

The system helps the store managers decide on strategic issues such as price reductions, how best to display items or whether demonstrating the use of utensils increases sales.

The effectiveness of these is calculated by measuring a base line and then assessing how that changes if a new factor is introduced. For Pier 1, this included changing the ratio of staff to customers and altering the times when staff cleaned or stacked shelves.

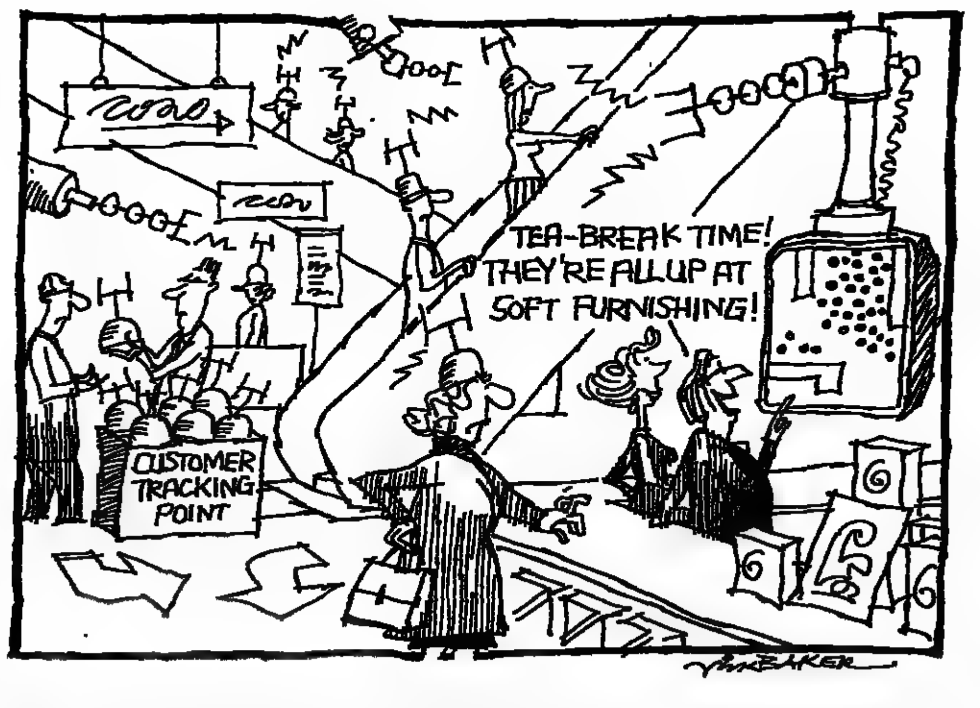
In one store in Toms River, New Jersey, the company experimented with changing the staff-to-customer ratios from a high salesperson presence of 5:1 to a low of 9:1. It decided the optimum ratio was 7:1 – above that conversion rates did not increase.

The company also wanted to evaluate how effective staff training was in increasing the conversion rate, explains Tener. Although the concept of sales training was devised by the managers themselves, ShopperTrak enabled the company to measure the effects of the training.

Using such techniques at the Toms River test site, Pier 1 managed to increase the conversion rate from 24.6 – just under one-quarter of shoppers made a purchase – to 28.1 per cent, which equated to a 14.2 per cent increase in turnover.

"The exciting thing to me is that we know exactly why it went up," Tener points out. "We can measure cause and effect." Pier 1 plans to do more testing in its stores. Eighty of them already have the system installed and by the end of February 1994, between 150 and 160 of Pier 1's 615 stores will have ShopperTrak.

The financial payback is easy for Tener to calculate, as each of the stores, with an average area of 9,000 square feet, has a single entrance. With the systems costing \$4,000 (£2,600) a time, Tener believes each system will pay for itself in less than a year.



At Macy's, the calculations are not so simple. It would be too expensive for the store to install equipment round every entrance to individual departments, and so conversion rates can only be measured throughout the store, not on a department-by-department basis.

At Selfridges in London, however, one tracking system has been installed over an escalator, which could result in a floor-by-floor count. In one discount store in the US, says Chris Carey, president of Datatec, systems have been installed to enable the shop managers to count customers as they enter each aisle.

Nevertheless, Johnson saw positive results at Saks even when treating each store as a discrete unit. "Sales had a positive change simply by telling staff what the conversion rate was, how to improve it, and how it was improving. We got a 2 to 3 per cent change in conversion rate for nothing."

Tener also noticed changes in attitude at Pier 1. "Our people developed a competitive environment. One shift tried to outdo another."

Johnson believes that in the future such systems could lead to changes in the way staff and stores are assessed. "Right now we measure everything on sales," he reports. But high-selling stores may have low conversion rates. The data from ShopperTrak should enable managers to analyse which stores need to produce higher conversion rates and which need to work on attracting more customers into the store.

Carey believes the equipment can bring further advantages such as an appraisal system of managers' performance. To do that, the accuracy of the system is critical, says Johnson. "You're trying to get the people in the store to think in a completely different way, and you can only do that if they have confidence in the data."

The Datatec system uses vertical infra-red beams on a bar attached to the ceiling. Unlike horizontal beams, they are out of the reach of children, who often take pleasure in waving their arms in front of the beams to notch up the numbers.

Because the infra-red beam bounces back once it is broken by the person entering, the system can calculate the height of the object and eliminate from its count anything or anyone under four feet tall – children, prams or shopping trolleys.

ShopperTrak's software can calculate the number of "buying units" entering the store – a family, say – rather than just individuals. And it can combine its data with that from IBM Pos systems to calculate conversion rates.

The latest software from Datatec has been designed for do-it-yourself stores or supermarkets and enables floor managers to predict when they will need to open another check-out lane.

The calculation is based on the number of customers entering and the average time it takes them to complete their shopping. The system is already in use in the US and is on trial at one UK supermarket.

In Europe, Carey sees the differing shopping habits as a challenge. In the UK, for example, conversion rates are much lower than in the US – in the high teens rather than the mid-20s, says Carey. But so is the ratio of staff to customers.

While Pier 1 calculated that 7:1 was the optimum ratio in its stores, in the UK there are 30 or even 40 customers on average for just one shop assistant. "In the US, somewhere along the line customers have demanded service, says Carey. "In the UK it's not even started."

Worth Watching · Della Bradshaw

Multimedia on the move

Two Japanese notebook PC manufacturers, Panasonic and Toshiba, have launched portable "multimedia" machines, which combine text, graphics, sound and video in a notebook.

The Toshiba T6600C, based on an Intel 486 DX2 processor, has a 10-inch, 256-colour thin film transistor display supported by a graphics accelerator card. The T6600C comes with the Microsoft Sound System. It will retail for £5,899.

The Panasonic CF-V21P notebook has a tuner video pack, which allows TV stations to be displayed on screen. VCR or camcorder output can also be replayed.

The CF-V21P has been designed to offer a choice of models based round four different processors, which can then be upgraded or parts added. Panasonic: Japan, 6 908 1121; UK, 0344 853915. Toshiba: Japan, 3 443 7171; UK, 0932 841600.

Green PCs turn the power off

Over the past six months several personal computer manufacturers have launched "green PCs" that use less electricity, writes Louise Kehoe. None, except IBM, has addressed the fundamental issue of encouraging PC users to switch off their machines when not in use.

"Rapid Resume", a feature incorporated in IBM's new line of PS/1 computers, overcomes the drawback of switching off. When the new PS/1 is turned off, the system automatically remembers what the user was doing. When turned on again, the machine returns to the exact spot, eliminating the need to re-open Windows applications and find working documents. And if the user forgets to turn off, Rapid Resume will do it when the system has not been used for a pre-selected period. IBM: US, 914 945 3884; UK, 0705 321212.

Light composites take the strain

Composite materials are renowned for being stronger and lighter than steel, but have traditionally been more expensive.

Cambridge Consultants has now found a way of mass-producing composite structures with all the strength, but at a lower cost. The result could be tough but lightweight car bumpers, train seats, manhole inspection covers and even sports racquets.

Composites, which derive their strength from the lengths of glass or carbon fibre embedded in the resin, are widely used in the defence and aerospace industries. But they could only be mass-produced if the fibres were cut, reducing their strength.

Cambridge Consultants has developed machinery which adapts conventional spinning procedures to weave the fibres continuously in three dimensions. Special resins have also been developed. Cambridge Consultants: UK, 0223 420024.

Satellite antenna in the briefcase

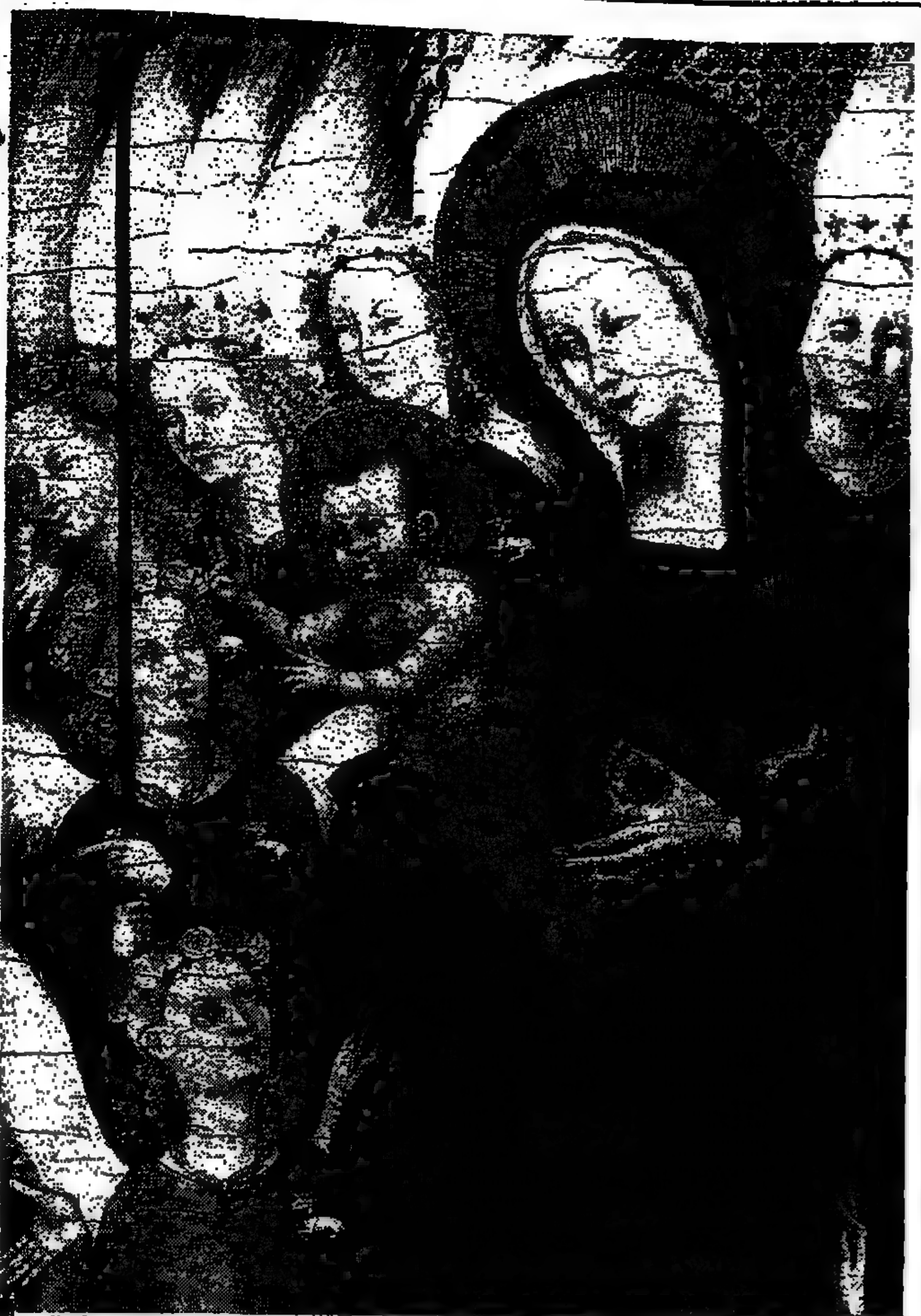
The high-tech antennae used in Israel's most sophisticated smart bombs has now been converted for civilian use, stuffed into the lid of a briefcase.

The antenna forms part of the Bipsat portable satellite communications system, which can be used to send phone, fax or data messages via Inmarsat satellites. The system incorporates a notebook PC, hard disc, printer and communications software.

Although several other satellite transmitters and receivers are already available, their antennae usually have to be carefully aligned with the satellite – to within 2° – for messages to be sent and received. Rafael, of Haifa, manufacturers of Bipsat, say the flat antenna gives a wider tolerance, making the equipment easier to use. Rafael: Israel, 4 795435.

Carrier bag that's very square

A revolution in carrier bags which involves cutting four holes in the plastic receptacle may sound unlikely. But the Saklok carrier, distributed by WBC Packaging of Tonbridge, Kent, believes it is exactly what is needed for carrying home a take-away pizza. Because the corners of the square box sit securely in the holes of the Saklok carrier, the pizza arrives home as it leaves the shop. The bag can also be used for carrying cake boxes or trays of garden plants. WBC: UK, 0732 810811.



Detail from the front right panel of the newly cleaned Wilton Diptych, the subject of the National Gallery's 'Making and Meaning' exhibition

The Wilton Diptych remains enigmatic

In an age which has seen blockbuster exhibitions swell to ever more monstrous proportions, the National Gallery in London has *pioneered series of modest* shows which recognise how rewarding it can be to look hard and *think* about a single work. For the first in a new series, *Making and Meaning*, which again focuses on major works in its own collection, the spotlight is directed towards the Wilton Diptych in the aftermath of its recent cleaning and technical examination.

This small, portable altarpiece is one of the most refined and sumptuous products of the late medieval world. It is also one of the most enigmatic. Generations of scholars have debated who painted it, and why, and what it meant to those who first saw it. The purpose of this exhibition, which is supplemented by a small number of judicious loans of panels, manuscripts, sculpture, metalwork and jewellery, is to offer visitors the possibility of understanding a private and complex image. The temptation to tell them how to interpret it is scrupulously resisted.

Although the Wilton Diptych *has the inevitability of a* dream, its two halves make for a distinctly odd couple. On the barren earth of the left wing kneels Richard II of England, identified as such by his personal emblems of the white hart on his breast and the broomcods, or pods of the broom plant – the *planta genista* from which the Plantagenets took their name – laced around is neck. The three figures standing behind him – Edmund, king and martyr, Edward the Confessor and John the Baptist – act as intercessors and have been carefully chosen for their personal significance for the monarch. The frieze of saints is remarkable *for its evenly distributed* verticality while the profile portrait of the king has all the depth of a playing card.

The crowded panoply of the right wing could hardly be more different. Here the Virgin stands cradling the Christ Child in a paradise garden, supported by a company of angels who, wearing broomcods and white harts, seem to have been liveried by the King of England rather than the Queen of Heaven. Arms crossed, wings fluttering, seven of them form a backdrop to her, while four more ring her round. This image is the epitome of a manner of painting that was swept away by the Renaissance and the discovery of perspective, but here too there is pictorial space.

The narrative link between the two is provided by the white banner emblazoned by the red cross of Christ's Resurrection which is also the banner of St George. Its pinnacle is a silvered orb and that too alludes to England. Recent cleaning *has revealed that it* contains a minute representation of a green island, a white tower with two turrets, and a boat in full sail. It is hard not to read it as "this sceptred isle … and precious stone set in the silver sea" of John of Gaunt's speech in Shakespeare's *Richard II*.

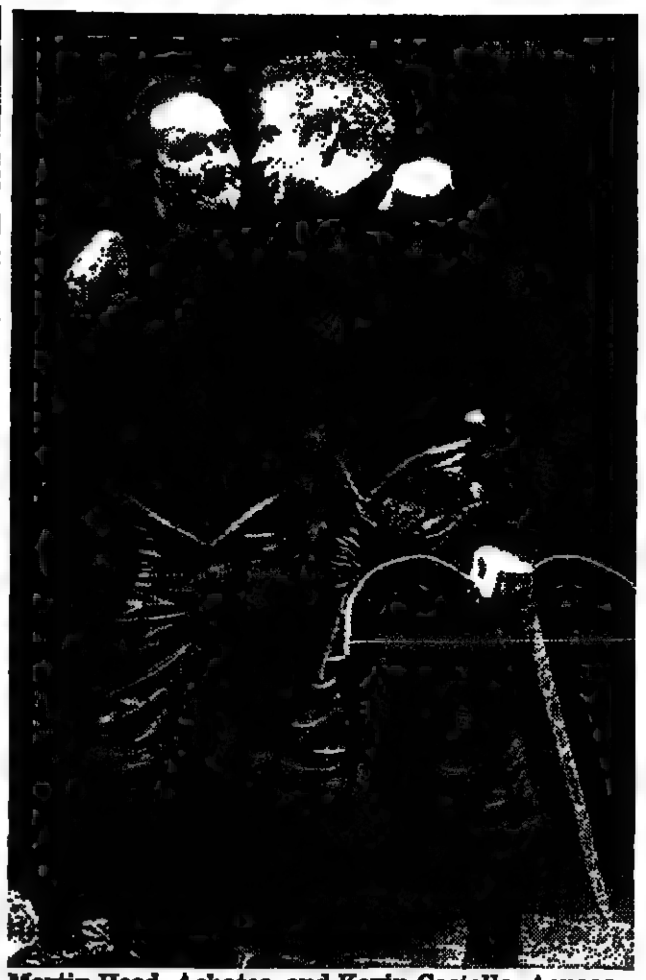
This is no standard image of a donor being presented to the Virgin by his patrons. Rather, it appears a carefully orchestrated expression of Richard's notion of the divine nature of his kingship and his hopes for salvation. As such, the altarpiece is likely to have been made for the private devotions of the king, a few years before *his untimely death in 1399*.

The Wilton Diptych is one of the high points of the so-called International Style, that phase of late Gothic art when painters and sculptors all over Europe seemed to be marching to the same drum. Such is the extent of cross-fertilisation that no agreement has been reached about whether its creator was English, French, Italian or Bohemian. The recent technical examination has only confirmed that while the preparation of the ground of the oak panels is typically Northern, the technique adopted for binding the pigments and for the green undermodelling of the flesh tones is characteristically Italian. The use of egg white allowed the painter to exploit the full purity of the precious lapis lazuli which he ground to produce the brilliant ultramarine.

Wherever he came from, the anonymous master of the Wilton Diptych was a great painter. This is his (or her?) only surviving work. We have *no idea whether it belongs to* his youth, maturity or old age. One thing is certain, however: if it had not survived, no one would have felt the lack of it. The picture stands as a poignant reminder of how much of our past has been lost. That, and not just its quality, is part of its enchantment.

Susan Moore

Sponsored by Esso UK plc, at the National Gallery until December 12, admission free.



Martin Head, Achates, and Kevin Costello, Aeneas

Theatre/Malcolm Rutherford

Marlowe's Dido, Queen of Carthage

There is a school of thought which believes that if Christopher Marlowe had not died young – at the age of 29 in 1593 – he would have surpassed even Shakespeare as a dramatist. On quantity perhaps; on quality I doubt it.

It may be unfair to accuse Marlowe of lacking a sense of humour, since he concentrated on writing tragedies. What he certainly lacked was Shakespeare's sense of variety, but he wrote some of the most magnificent blank verse in the English language.

There is another claim that should be treated with scepticism. Stage One Theatre Company says that theirs is the first professional production of *The Tragedy of Dido, Queen of Carthage* for 400 years. That sounds a bit like the crime figures: not everything is recorded. There must have been some productions, somewhere.

Yet one can see why there may not have been very many. *Dido* was probably Marlowe's first play – no-one is quite sure of the date and there may have been some collaboration with Thomas Nashe. As a drama, it is not the most gripping. It relies heavily on Virgil's *Aeneid* and has some excessively long speeches, though one of them is specifically commended by no less than the Prince of Denmark in Shakespeare's *Hamlet*. The quality of the verse is on a learning curve, but from a pretty low starting point. Take, for example, the bathetic early lines of Aeneas: "Achates, 'tis my mother that is fled; I know her by the movings of her feet."

One cannot say much for the ending either, when it is Aeneas who has fled and everyone *else to speak of is* dead on stage. Shakespeare would have left someone behind to tell the story.

Nevertheless, *Dido* has Marlowe's stamp on it, is an interesting part of his development as a dramatist, and it is enterprising of the Stage One Company, directed by Michael Walling, to have revived it.

My own main impression is how rapidly the verse matures as the play goes on. There is a great deal of feeling in some of Dido's last lines, some of it foreshadowing the uniqueness of Marlowe at his best. For instance: "And all the world calls me a second Helen, For being entangled by a stranger's looks."

On the other hand, one cannot speak for other people. My daughter said that she preferred the first half because she had never seen anything like it before. The second half merely reminded her of what a good play is *Antony and Cleopatra*. Up to a point she was right, yet without *Dido* Shakespeare may not have written *Antony* the way he did. There are some remarkable parallels between Dido's and Cleopatra's femininity.

The experience is more educational than entrancing. I doubt if even the best acting in the world could make much of the piece as a whole. As it is, Kevin Costello plays Aeneas with a touch of the ham, which is probably the best way of doing it. Julie Saunders' Dido gets better as tragedy approaches and with the maturing of the verse.

There is the definition of a pretentious programme note by Inga-Stina Ewbank, who is a professor of English at the University of Leeds. It ends: "The professional stage has fought shy of this play for nearly 400 years: it may not be coincidental that it now returns in the year when we have learned to speak of *'former* Yugoslavia'".

Steiner Theatre, NW1 until October 23. (071) 723 4400

Ballet/Clement Crisp

Niels Bjorn Larsen at 80 storms the stage as Coppélius

Niels Bjorn Larsen was born on October 5, 1913. His entry in ballet dictionaries identifies him as a Danish dancer, ballet-master, choreographer, artistic director of the Royal Danish Ballet for more than a decade, and "the company's most distinguished mime". What must now be added to this *curriculum vitae* is that on Tuesday night, to celebrate his 80th birthday, he once again stormed the "Old Stage" of the King's Theatre as *Doctor* Coppélius. And he was marvellous as ever – as a devoted observer of his art, I would venture "more marvellous than ever" – in a role he has danced for 48 years.

The tradition of mime performance is one of the glories of the Royal Danish Ballet. The Bournonville repertory has ever depended upon a framework of "natural" observation to set off the grand dance sequences. The life of a location, its bustle and character, its crowds and the bright interplay of personalities, fascinated Bournonville, and his ballets were *often* souvenirs of places he visited – Paris, London (he made a piece about the Crystal Palace exhibition), Bruges, Moscow, and, supremely Italy, which he adored. (His *Napoli* is as true an aspect of Danish nineteenth century art's fascination with the sun-lit south as the paintings of Marstrand.)

It is in showing this local colour to us that Danish dancers and mime artists have, across the years, become so expert, so truthful in their playing, and Danish ballet itself has gained so greatly in distinction. (That the Danes also dance with such joyous grace is the other vital part of Bournonville's bequest to his heirs).

Niels Bjorn Larsen has been one of the exemplars and beacons in this tradition of dance-acting. We were fortunate in London, during Peter Schaufuss' years with English National Ballet, that Larsen was a frequent guest – his Madge in *La Sylphide* is, for me, the definitive *reading* of the role, terrifying in malevolence and power, and with a nice edge of venomous humour. We first saw him in London 40 years ago, when the Royal Danes made their first big tour: then, as now, he gave his roles a weight, an intensity of observation, so that character seemed wholly and marvellously alive.

For his 80th birthday performance – and it is certainly not a farewell: he has much to do, and much still to show us – he returned to a role he has made his own. The Danes' staging of *Coppélia* tells a credible story of peasant love in a believable setting – this might well be *Galicia*, rather than the usual Ruritania. It is also unlike other versions in text: the choreography has developed over the years from a Copenhagen production at the turn of the century. It is, in its present happy revival by Frank Anderson and Anne Marie Vessel, jolly and coherent in its folk style – you sense that these villagers have seen a plough, unlike the usual droves of balletic toilers whose hands have been dirtied by nothing more than a window-box.

The production is wise, and heart-warming. (The celebrated sequence when Swanilda tests her beloved Frantz' fidelity by *the rattle of seeds in an ear of* corn, is replete with feeling). Henriette Muus and Lloyd Riggings were the lovers on Tuesday night – sprightly and sweetly sincere in feeling. But, of course, we were there to see Niels Bjorn Larsen, and he was tremendous. The characterisation treads, and with what finesse, a narrow path between eccentric comedy (the old chap – Coppélius, that is! – is forgetful, and given to antic bursts of activity) and wild dreams of magic. At every moment Larsen speaks to us. His playing is a marvel of timing, each gesture phrased and placed with subtlest understanding, each moment bright with a psychic energy as lively as his still astonishing physical resource. He tells us the truth, both comic and, at the last, tragic, about Coppélius. It is rare theatrical art, and as with the motto over the proscenium of the King's Theatre – "Not for pleasure alone" – it has moral dignity, because of the humanity that inspires the reading.

At the end of the evening there were cheers, flowers, presents, hats thrown in the air, embraces. We were saluting a superb performer who has embodied the ideals of his theatre throughout an illustrious career - and, most happily, continues to do so.

David Amsallag

Marvellous as ever: Niels Bjorn Larsen and Henriette Muus in 'Coppélia'

INTERNATIONAL ARTS GUIDE

The ever-enterprising Accademia Italiana is bringing to London an exhibition celebrating the patronage of Lorenzo de'Medici (1449-92), based on the series of Lorenzo exhibitions held in Florence last year. "Renaissance Florence: the age of Lorenzo de'Medici" opens next Thursday and runs till January 23. It is divided into five sections, devoted to the Medici, Lorenzo's influence on Florentine architecture, Florentine churches, *art from Florentine* workshops, and the Lorenzo sculpture garden at San Marco.

The flourishing of 15th century Florence owed much to Lorenzo and the patronage he extended. Only 20 when he assumed the leadership of his family on his father's death in 1469, Lorenzo was known as "the Magnificent" *for his many accomplishments* in the arts and his political acumen. It was this, together with his youth and knowledge of philosophy, history and literature, which gave Florence the peace and stability which allowed the arts to blossom as never before.

Included in the exhibition are The Annunciation by Jacopo del Sellaio from the church of Santa Lucia de'Magnoli; Antonio Pollaiuolo's Archangel Michael fighting the Dragon from the Bardini Museum; and two paintings by Botticelli - The Virgin *and Child with St John*, on loan from the Pitti Palace, and The Madonna of the Sea, loaned by the Accademia Gallery. There will also be manuscripts, jewels, fabrics, ceramics, rock crystal and medals. The Accademia is open daily at 24 Rutland Gate, London SW7. Tickets can be bought in advance from First Call *071-240 2700*.

■ EXHIBITIONS GUIDE

BARCELONA

Museu Picasso Picasso and the Bulls: paintings, drawings, sculptures and ceramics on the theme of bull-fighting, showing its life-long importance in Picasso's *imagination and* inspiration. Ends Jan 9. Closed Mon (Carrer Montcada 15-19)

Fundació la Caixa Turner: drawings and watercolours from the Tate Gallery. Ends Nov 7. Closed Mon (Centre Cultural, Passeig de Sant Joan)

BOLOGNA

Museo Civico Archeologico *Ludovico* Caracci. Ends Dec 12.

BRUSSELS

Musée d'Ixelles From Giorgione to Tiepolo. Ends Dec 12. Closed Mon (71 rue Jean Van Volsem, tel 511 9084)

Palais des Beaux-Arts Jimmie Durham (b1940): paintings and sculptures by the controversial American Indian artist. Ends Nov 14. Closed Mon

CHICAGO

Art Institute Max Ernst: 180 paintings, collages, prints, drawings and photomontages.Ends Nov 30. Daily

LONDON

Royal Academy of Arts American Art in the 20th Century: the period from 1913 to 1970 is covered at the *Royal* Academy, and from 1970 to the present day at the Saatchi Gallery. Ends Dec 12. Daily

Whitechapel Art Gallery Lucien Freud. Ends Nov 21. Closed Mon

British Museum Drawings from Chatsworth. Ends Jan 9. Daily

Hayward Gallery Alphonse Mucha: first comprehensive UK retrospective for 30 years of the Czech Art Nouveau artist, renowned for his fin-de-siècle posters in Paris. Ends Dec 12. Daily

National Portrait Gallery Thomas Eakins: 150th anniversary retrospective of America's most admired 19th century portraitist, comprising 44 paintings and five drawings. Ends Jan 23. Daily

Tate Gallery Edward Burne-Jones: sketches from the museum's collection. Ends Nov 7. Daily

National Gallery The Wilton Diptych. Ends Dec 12. Daily

LUGANO

Museo d'Arte Moderna Emilio Vedova: 70 works painted between 1937 and 1989 by Italy's answer to Lucien Freud. Ends Nov 7

Villa Favorita The Lost Empire: 87 well-preserved pieces of Buddhist art from Khara Koto, dating from the 10th to 13th centuries. Ends Oct 31. Closed Mon

MANTUA

Palazzo Te Giulio Romano: drawings by Raphael's most distinguished pupil, on loan from major international collections. Many of the drawings are preparatory studies for the frescoes in the glorious Gonzaga hunting lodge nearby. Ends Nov 21. Closed Mon

MARTIGNY

Fondation Pierre Gianadda Degas: his entire work as a sculptor, consisting of 74 bronzes of horses, dancers and nudes, surrounded by dazzling pastels, oils and drawings relating to them. Ends Nov 21. Daily

MUNICH

Kunsthalle der Hypo-Kulturstiftung Dada: 150 paintings, drawings and collages. Ends Nov 7. Daily

Villa Stuck Max Beckmann: 190 prints, woodcuts and lithographs 1901-46 from private German collections. Ends Nov 14. Closed Mon

NEW YORK

Metropolitan Museum of Art The Annenberg Collection: 53 impressionist and post-impressionist paintings, watercolours and drawings, surrounded by the museum's own world-renowned collection of 19th century European paintings, all displayed in a newly-reconstructed suite of 20 rooms. Ends mid-Dec. Master Drawings of the Hudson River School: 50 works on paper by America's earliest school of landscape painting. Ends Dec 26. Closed Mon

Guggenheim Museum Roy Lichtenstein: 130 major paintings and sculptures from international collections, by the artist whose depictions of mass-produced American cultural icons propelled him to the forefront of the Pop art *movement* in the 1960s. Ends Jan 16. Paul Klee: 60 works from the museum's own collection. Ends Oct 31. The main museum is closed on Thurs, the SoHo site on Tues

Museum of Modern Art Robert Ryman: 80 works by the American abstract artist. Ends Jan 4. Closed Wed

Whitney Museum of American Art Gorky's Betrothals: Arshile Gorky's three large-scale paintings, among the Armenian-born artist's most complex images, seen together for the first time along with related drawings. Ends Jan 9. Closed Mon

PARIS

Musée d'Orsay From Cézanne to Matisse: Masterworks from the Barnes Foundation. Ends Jan 2. Closed Mon, late opening Thurs (reservations: 4410 7300 or at Fnac shops)

Musée des Arts Décoratifs Fabergé: exquisite goldsmiths' work produced in Russia by the firm of Carl Fabergé from the 1870s to 1918. Ends Jan 2.

Grand Palais Les Nabis. Ends Jan 3. Closed Tues, late opening Wed

Petit Palais Masterworks from Leipzig. Ends Dec 5. Closed Mon

Institut du Monde Arabe Syria, Memories of the East, Memories of the West: 400 exhibits on loan from Syrian museums, the Louvre and private collections, providing *an overview of one million years* of human activity from the first artefacts to 19th century Ottoman art. Ends Feb 28. Closed Mon

PHILADELPHIA

Museum of Art The Drawings of Joseph Beuys: retrospective of a central figure in postwar German art, whose radical social ideas, political goals and art forms have never had much appeal for American taste. The exhibition brings together 200 examples in a variety of media, including pencil, watercolour, oil and collage. Ends Jan 2.

RIMINI

Museo Civico Guido Cagnacci: 50 splendid works by the painter of the most sensual female nudes of the entire baroque era, including *three painted for his patron*, Hapsburg Emperor Leopold I, lent by the Kunsthistorisches Museum in Vienna. Ends Nov 28

ROME

Palazzo Venezia Corrado Giaquinto: the late baroque artist, who provided enormous altar-paintings for numerous Roman churches, and was feted in European courts during his lifetime (Goya was fascinated by the works done for the Palazzo Real in Madrid), has since been unfairly neglected. This fine show, with works from European and American collections, attempts to set the record straight. Ends Nov 14. Closed Mon

Palazzo delle Esposizioni Antonio Donghi (1897-1963): an exponent of the school of magical realism, Donghi was much-lauded in the 1930s. Today, his static and maniacally detailed portraits come *across as merely curious. Ends* Nov 7. Closed Mon

S Michele a Ripa Borghese Collection: works by Titian, Caravaggio, Rubens, Raphael and others, on show in this deconsecrated church while the villa in the Borghese gardens is being restored. Ends Dec 31

VENICE

Palazzo Grassi The Unknown Modigliani: 430 drawings. Ends Jan 4. Daily

Fondazione Cini Francesco Guardi: 50 works by the 18th century veduta painter. Ends Nov 21. Closed Mon

VIENNA

Künstlerhaus Czech Modernism 1890-1918: 250 works examining the historical transitions and *continuities in fin-de-siécle Czech* art, and illustrating how artists of the period responded to and assimilated Symbolism, Cubism and other international influences. Ends Nov 2. Daily

Albertina Landscape in the Century of Rembrandt. Ends Nov 14. Daily

WASHINGTON

National Gallery of Art John James Audubon: 90 watercolours by the 19th century naturalist-artist. Ends Jan 2. Cesarini Venus: Giambologna's marble masterpiece (c1583) is the centrepoint of an exhibition focusing on the female nude. Ends Jan 17. Lovis Corinth: 74 prints and drawings by the turn-of-century German painter and draughtsman. Ends Feb 21.

Walters Art Gallery Artists of Ecouen. Ends Feb 6. Closed Mon

A second bite at the apple

Stefan Wagstyl on Benazir Bhutto's election success

Pakistan's general election, called to break prolonged political deadlock, has failed to produce the desired result.

Ms Benazir Bhutto, the former prime minister, has defeated her bitter rival and successor in office, Mr Mohammed Nawaz Sharif. But, with just 86 seats in the 217-member national assembly, her Pakistan People's Party lacks an overall majority and must seek other parties' support.

Ms Bhutto's margin of success seems too narrow to assure Pakistan of the stable government it needs if it is to solve its political, social and economic difficulties. As one senior former minister said yesterday: "A hung parliament is a political and economic disaster."

The main consolation is that the poll was completed with little of the bloodshed which often accompanies Pakistani elections; thanks to army supervision, it was also largely free of vote-rigging. The verdict therefore seems to be a true reflection of the people's wishes. The pity is that the result gives the winner a difficult hand to play.

Ms Bhutto's delicate position is the consequence of long-term army involvement in politics. Born out of the bloody partition of India, Pakistan has always lived in the threatening shadow of its huge neighbour. The army has dominated public life and military dictators have ruled Pakistan for 24 out of its 46 years in existence. Of its civilian prime ministers only one has completed a five-year term – Ms Bhutto's father, Zulfikar Ali Bhutto, the feudal landowner from the southern province of Sind.

Hopes were high that Ms Bhutto could follow his example when she first took power in 1988 after the death of the dictator General Zia Ul Haq. But the army and bureaucracy's refusal to co-operate, combined with her own mishandling of relations with the military and the president, Mr Ghulam Ishaq Khan, brought Ms Bhutto down in 1990. Mr Sharif, an industrialist hand-picked for government by the army, ran into the same trouble this year – and was forced to resign by the generals.

Ms Bhutto's prospects of establishing power more firmly this time rely primarily on creating better relations with the army and with the bureaucracy headed by the president. She believes her chances are better because the generals are no longer as hostile as in 1988. The new army chief of staff, General Abdul Waheed, who took office in February, is considered relatively unpolitical. Also, Mr Khan, the president who opposed her in 1988-90, was this year sacked by the army at the same time as Mr Sharif for his part in causing political chaos. A new president will be elected in polls in November. As Ms Bhutto said in a recent FT interview: "The [power] structure that was there has mercifully changed quite radically today."

However, what has not changed is the mutual hostility between her and Mr Sharif, whose Pakistan Moslem League (Nawaz) party (PML) will form the opposition. Their hostility to each other poisons the atmosphere and distorts decision-making. For example, both leaders promised voters constitutional amendments to reinforce the prime ministership by curbing the president's powers. But Mr Sharif is now unlikely to co-operate in a move which would only strengthen Ms Bhutto.

Ms Bhutto's last government was also hampered by conflicts between the federal authorities in Islamabad and Punjab, the richest and most populous of the four provinces and the heart of Mr Sharif's power. When provincial polls are held on Saturday, it seems likely that Punjab will stay in Mr Sharif's hands.

Mr Sharif, Pakistan's first businessman-prime minister, has left behind a mixed legacy. He promoted economic deregulation, foreign trade and investment. But his policies were marred by over-spending on projects such as a $1bn motorway; over-borrowing; and an upsurge in corruption.

Also, the end of US and Soviet involvement in the Afghan war left Pakistan almost alone in coping with the effects of the conflict – including continuing fighting in Afghanistan and the spread into Pakistan of arms and drugs. Pakistan's international isolation increased due to worry over its nuclear programme – a concern which prompted the US to cancel aid. Ms Bhutto says her first priorities now are promoting economic growth and ending Pakistan's isolation.

Her economic options are limited by the decisions taken by Mr Moeen Qureshi, caretaker prime minister. Mr Qureshi has been forced to seek emergency loans from the International Monetary Fund to ease a foreign exchange crisis caused partly by Mr Sharif's profligacy and by last year's floods. These have led to a slowdown in economic growth from an annual average of 6 per cent to just 3 per cent in the year to June 1993. Mr Qureshi's IMF-approved programme consists of devaluation combined with raising revenues by introducing agriculture taxes, clamping down on corruption, and squeezing tax dodgers, defaulters on loans from state banks and non-payers of utility bills.

Ms Bhutto pledges to continue with Mr Qureshi's programme, including the agriculture tax, though she has expressed reservations about his proposals for its implementation. But her conservative, landowner-dominated party may drag its feet on this and other measures. Many of Mr Qureshi's measures are implemented via ordinances which will lapse unless confirmed by the national assembly.

Public finances are burdened by military spending and debt repayments which together absorb about three-quarters of the budget. Since neither can be easily cut the chief route to stabilising public finances is through raising revenue, as Mr Qureshi has recognised. The hurdle is the belief of many politicians that the rewards of office include personal enrichment. This disregard for the law has given rise to a black economy estimated to be half the size of the official one.

It is difficult to see how Pakistan can generate enough funds for education, health and other social programmes without bringing more of the black economy into the tax net. Without better education, improved health and population control will be largely unachievable. Ms Bhutto's PPP is the self-proclaimed party of the poor; it remains to be seen whether they benefit from her rule.

As for international relations, Ms Bhutto sees rebuilding ties with the US as a top priority, including addressing Washington's complaints about alleged state terrorism, the nuclear programme and Pakistan's support for insurgents in the troubled Indian state of Kashmir. The difficulty lies is squaring US demands with domestic pressures – such as a powerful pro-nuclear lobby.

Ms Bhutto says that with the elections over, she will fight the "battle for the progress of Pakistan". The danger is that she may be overwhelmed, as she was before, by the battle for progress in Islamabad.

Associated Press

Benazir Bhutto: poll victory gives her a difficult hand to play

Joe Rogaly

The Tory jungle book

The Conservative party conference has not been a *total* shambles – so far. There is still the little matter of the prime minister's speech this afternoon, but we have been trained to have low expectations of that. We are unlikely to be disappointed. If Mr John Major had his way the leader's speech would be billed as routine, not a matter of political life or death. As he is apt to remark, Lincoln's Gettysburgh address received poor early notices.

Mr Major is painfully aware that he plays best in sitting-rooms; that he has not developed the knack of communicating from a remote platform to a large audience. Curiously, the same may be said of Mr Kenneth Clarke, the man got up by the press as the pretender. In private or talking informally to a small group Mr Clarke is excellent: persuasive, open, unafraid to take any direct question. Give him a speech to read and his best friends will tell you that he lacks the musical ear, the knowledge of when to pause and when to emphasise, that mark the orator.

Unlike the prime minister, the chancellor usually knows what to say. "Any enemy of John Major is an enemy of mine," he told the conference yesterday. Afterwards, briefing the media, he reminded us of the prime minister's remark, recorded here last week, that he would go into the jungle with Mr Clarke and not be afraid to turn his back. Not to be outdone, the man who is safe in the jungle said that he, Clarke, would be unafraid to turn his back on Mr Major in the dark. The harsh truth is that when you have spent a week among the beasts of this particular jungle, you wonder that they do not all wear double-thick suits of armour.

Michael Portillo has emerged as the Tom Cruise of the cabinet: absurdly young, and extremely dangerous

The affecting pair-bonding of the prime minister and his chancellor might offset some of the disunities that have marred the conference. The disparaging remarks about Mr Major attributed to Lady Thatcher have done the usual damage, but less than last time, which was less than the time before. Before too long there will be nothing left but a handbag in an empty hall.

Conscious of their role as a TV studio audience, the assembled party workers in Blackpool have exerted themselves to persuade us that the Tories are united. The trick does not always work. Last year we witnessed a televised drama of a party in disarray, particularly when Lord Tebbitt led his anti-Maastricht rabble into the chamber and directly challenged the prime minister. This year every entrance of the prime minister, every reference to loyalty has been loudly applauded – only slightly less loudly, perhaps, than one speaker's attack on the media.

Erecting a facade of unity is not the only purpose this year's conference is supposed to serve. Saving Mr Major's skin apart, the ambition has been to re-establish the Conservatives as the guarantors of law and order and the least-worst managers of the economy.

On Wednesday Mr Michael Howard disregarded 14 years of Conservative failure to control crime and sought to appear tough without succumbing to the calls of one favoured speaker for flogging, hanging, castrating and permanently incarcerating criminals. His proposals, some of them sensible, ignore the social causes of crime, and do little to reassure us that fewer women will be raped, fewer houses will be burgled, or fewer cars robbed. They merely position the Tories in a political marketplace that has moved rightwards. The price may be the wrongful conviction of a few unfortunates on the grounds that they did not or could not answer questions on arrest, but that appears to be regarded as a small price to pay.

Yesterday the chancellor sought to persuade the electorate that the hole the government is in is of foreign origin. "The recession has affected the whole of the industrialised world," he protested. His purpose was to prepare party and public opinion for a budget and public spending package that is likely to be less stringent than currently implied, while protecting the Conservative government from blame for getting the public finances into such a mess. He archly congratulated Lady Thatcher for her role in 1981, when tax increases were imposed in the name of sound money. The Tory tax bombshells due to rain down on us next year, including the highly unpopular value added tax on domestic fuel, were three times credited to his predecessor.

In this way, blame for anything Mr Clarke may impose in November is minimised. The chancellor has amply demonstrated his skill at political discourse. We will be able to assess his skill at running the Treasury when he presents his budget and spending proposals in 53 days' time . Until then, write him down as the prime minister's best buddy.

Mr Michael Portillo, the chief secretary of the treasury could not be so designated. The mere mention of his name yesterday was greeted with foot-stamping applause. He is the Tom Cruise of the cabinet: absurdly young, and extremely dangerous. Although he did not address the main conference, he continues to build his constituency on the right of the party, while behaving perfectly properly as a loyal member of Mr Major's team. At a fringe meeting last night he attacked "political correctness" and spoke up for the "decent majority". He appears to be a libertarian, although he does not wish the state to be neutral – he calls it amoral – in the signals sent out by its taxes, benefits and matrimonial laws. These should encourage family values, discipline and individual responsibility.

Mr Portillo sees a market for right-wing ideology in the 1990s. Not so Mr Douglas Hurd, who will doubtless be long retired when the young Cruise reaches the pinnacle of his career. The foreign secretary said last night that "we should not give the impression that we believe in permanent cultural revolution, in the style of Trotsky or Chairman *Mao* . . . We must show that we are not driven by ideology to question every function of the state..." Mr Hurd's words are closer than Mr Portillo's to the thoughts of the pragmatic Mr Major or one-nation Mr Clarke.

The foreign secretary has the stature to resist the political correctness of the Tory right. Other speakers, even the Christian Democratic Mr David Hunt, have had to pepper their remarks with cheap anti-Europe shots. There have always been at least two kinds of Conservative, but establishing which is ascendant is better done out of office than in.

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL

Fax 071 873 5938. Letters transmitted should be clearly typed and not hand written. Please set fax for finest resolution

Rescue culture needs law changes

From Mr Stuart D Hollander.

Sir, I am delighted that the vexed question of UK law in respect of insolvencies is beginning to get the airing it deserves, in view of the many unnecessary receiverships which have robbed shareholders and creditors and weakened the UK's industrial base. Robert Rice's article "Towards a rescue culture" (October 5) is an enlightening contribution to the debate.

Whether or not the 1986 Insolvency Act is working depends on your definition of "working". As the article points out, the intent is not being fulfilled. This is particularly the case in rescues or recoveries, where the management is trying to turn round the company, but continues to be excluded along with the owners/shareholders by banks in pursuit of a quick run for their money.

This malpractice almost inevitably takes place at the time when the foundations of a turnaround have been laid. Such was the case in the recent demise of a quoted clothing group of which I was chairman (Dunkeld Group plc). I know we are not alone.

The article does not mention that the law permits a bank under the terms of its debenture to put its own short-term interests on the table and ignore recent investment by shareholders and the security of creditors.

These interested parties will have been encouraged by the bank's initial support for the refinancing process, the kernel of the "rescue culture", and possibly by its position as shareholder.

It must be in the interest of all those involved in the risk ventures necessary for the country's industrial success for legislators to give shareholders and creditors an opportunity to negotiate a less lethal attack than receivership, if, in their combined judgment, it is likely to lead to the successful continuation of the recovery.

The absence of that opportunity seems to be the essential difference between the American and British environments. "Mutual obligations" might provide a suitable framework within which the necessary legislation could be developed.

The article did not refer to the fact that the use of the same company as both investigating accountants and receivers has, in many cases, increased the likelihood of the receivership route and the inherent conflict of interest the practice creates. This custom needs to be outlawed in the interests of objectivity and a "rescue culture".

I hope that the lessons learned from the current spate of avoidable receiverships will be used by the authorities to amend the regime. This would help in the creation of the so-called "rescue culture" and should be designed to afford some protection, or at least sufficient time, for those brave enough (or foolish enough under the current rules of the game) to take on the responsibility of corporate rescue work.

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Expanding company audits

From Mr George Lapsley.

Sir, The recommendation of the working party of the Institute of Chartered Accountants in England and Wales ("Companies may have to review internal controls", October 2) relating to the proposed audit of internal financial controls adds fuel to the debate about the statutory obligations of companies to report to shareholders.

This emphasis on reviewing internal financial controls may well be justified and certainly accountants would welcome further statutory underpinning of their fee income.

But what about other activities and operations in a company? Should there not be a statutory requirement to report on marketing, quality, product development, research and development, manufacturing? Are these not just as important to the health of a company as financial controls and possibly of even greater significance to shareholders and investors?

There must be many organisations with sound financial controls which face a difficult future because they do not have the right people or the right strategies.

Clearly these sorts of issues are of fundamental importance and need to be dealt with in annual reports in a manner which is meaningful while not giving undue commercial advantage to others. Perhaps non-executive directors should he playing a part? They may be the people to take responsibility for an independent "health check", reinforced by some statutory realignment of their responsibilities which also protects them with respect to other directors on the board.

My self-interest is evident, provided of course such "health checks" are undertaken by suitably qualified management consultants who are members of this institute. But such self-interest is no worse than that which prevails when the bodies that fulfil a statutory obligation are seen also to influence its scope

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Rejecting the benchmark

From Mr Stuart Fowler.

Sir, Barry Riley is topical and accurate ("The time has come to cut Japan down to size", October 6) in reflecting the frustration felt by many managers of international equity portfolios with the high and fluctuating proportion of the total international market capitalisation that Japan represents, particularly when investing outside the US. However, pension fund trustees have heard this before and I believe they are shy of letting managers blame the benchmark for their performance.

The reason trustees are frustrated with managers' frustration is that they know two things about Japan which they find hard to reconcile. First, its valuation basis, by any measure, has altered radically in recent years (from boom to bust would probably sum up most images of its recent stock market history). Second, with few exceptions, managers appear not to have altered their exposure to Japan significantly during this period. This observation is supported by the evidence of performance measurement universes on both sides of the Atlantic.

The absence of dynamic responses to changing country valuations is a form of "closet indexing". Because the majority of returns in an international equity portfolio are explained by country decisions (regressions of randomly constructed portfolios since 1980 show over 80 per cent of portfolio variance is explained by country exposure), trustees may wonder whether they are paying an active fee for the wrong type of activity.

It is easy to exaggerate the effects of country concentration in an international portfolio. For instance, for a US-based international investor (for whom the Japanese decision is dominant) with as much as 20 per cent in non-US markets, the effect of holding the index with nothing in Japan compared with a full index weight would have been to reduce the volatility (standard deviation of annual returns) of the entire portfolio since 1973 by 0.1 per cent.

Compared with the lost opportunities from genuinely active management of the country exposure based on a sensible and consistent valuation discipline, excuses about the benchmark should cut no ice with trustees. Their best solution to the problem of assessing the short-term performance of managers lies in trying to understand what managers have done with their opportunities, a process in which the long-term benchmark should make only a small contribution.

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Goode and bad

From Mr Roger Urwin.

Sir, There have been two letters recently (October 2 and 4) expressing the view that the Goode committee's proposals do not have any negative implications for pension funds' exposure to equities. It is asserted that derivative instruments can be used to "avoid a substantial shift away from equities" while giving sufficient protection against a fall in the market leading to a failure to satisfy minimum solvency standards.

We agree that derivatives will play an important part in providing this protection, but disagree that their use does not alter equity exposure. Derivative instruments used in this context simply provide a less transparent means to reduce equity exposure. This is clear when one considers that investors on the other side of the put option contracts involved would be selling equities.

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FT assumes a comic outlook

From Mr Roger Cooper.

Sir, The battle of words reported by Observer ("Top of the pops", September 24) reminded me of my years in solitary confinement in Iran when there was all the time in the world for anagrams. I discovered to my dismay that the FT was "semi-infantile chat".

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Mr González talks tough

MR FELIPE González appears to have changed tack. After weeks of fruitless negotiations with Spain's trade unions over proposed budget cuts, labour market reforms and wage ceilings, the Spanish prime minister declared this week that his minority government would try to impose the changes anyway. But whether Mr González can fulfil this threat, and make his reforms stick, is quite another matter. Tough words and confrontational actions may cheer the financial markets, but they will not necessarily deliver the fall in wage inflation upon which sustained recovery depends.

Mr González has reason to feel frustrated. The collapse of the hard exchange rate mechanism, the focus of his economic policy, has exposed the seriously depressed and distorted state of Spain's economy. But it has not yet prompted Spain's labour leaders to agree to the kind of reforms in the country's anachronistic and inflexible labour market upon which growth depends.

Wage inflation is the immediate problem. Despite Spain's persisting recession and an unemployment rate of 22 per cent, core price inflation is stuck at 5.5 per cent while wage inflation remains above 7 per cent. Slow growth and rising spending on public sector wages and benefits mean that the budget deficit will grow to 6.2 per cent of gross domestic product this year, once again outstripping last year's over-optimistic target. Meanwhile, these persistent wage pressures continue to persuade the Bank of Spain that keeping short-term interest rates in double figures is necessary, despite the devalued peseta's new-found stability. This is crushing domestic demand and adding to the government's budgetary woes.

At the root of the problem lies the restrictive nature of Spanish labour market regulations. There may be a happy medium between over-regulated continental Europe and America's hire-and-fire culture, but Spain is very much at the regulated extreme. Its notice and severance pay requirements are restrictive even by European standards. The result, in addition to persistent wage pressure, has been a rise in the percentage of Spanish workers in unprotected temporary jobs, from 14.2 per cent in 1987 to 31.1 per cent in 1991, over twice as high as in any other OECD country.

At last, Spain has a government which appears willing to address these deficiencies. Last week, finance minister Pedro Solbes announced a plausibly tough budget, which projected a deficit of 5.7 per cent of GDP next year by assuming that the government could impose a civil service pay freeze and limiting next year's pension increases. Meanwhile, Mr González says he will unilaterally push through a liberalisation of the hire-and-fire rules and a shift towards plant level bargaining.

But Mr González is playing a risky game. While looser labour laws are a necessary condition for renewed employment growth, the key to his budget and employment hopes is economic recovery. This means lower interest rates soon which, in turn, require a rapid moderation in wage inflation. But the British evidence does not suggest that either deregulation or a shift to plant-level bargaining will deliver lower wage inflation, certainly not when the reforms are first introduced. Back in August, Mr González was right to seek to negotiate a wage pact to cap average private and public sector wage inflation over the next three years. The wage pact remains the key to rapid interest rate cuts. It is too early to give up the search for consensus.

Securitisation

BRITAIN'S BANKS are showing strong interest in "securitisation". The process, common in the US, involves selling packages of mortgages, personal loans and the like to third-party investors in the form of bonds. Yesterday's £290m issue of securitised personal loans by Barclays Bank followed a £300m issue of mortgaged-backed loans by National Westminster Bank last week.

It is easy to see the advantage to financial institutions of selling on their loans. Securitisation shifts the risk of default to the new investors, so freeing up capital which banks can use to make other loans. But is the process also beneficial to borrowers and the wider economy?

Some borrowers may experience an initial queasiness at the thought that the ultimate owner of their mortgage is not the high street bank from which they originally borrowed but an anonymous *Belgian dentist* or multinational oil company. Could the new owners jack up interest rates or take a tougher line in the case of arrears?

Such concerns are unfounded. Under a typical securitisation deal, the original lender continues to manage the relationship with the borrower, and commits itself to treating securitised loans in exactly the same way as ordinary loans. A Barclays or a NatWest would have no incentive to crack down especially hard on borrowers whose loans it had securitised as that would damage its reputation without enhancing profits.

Another concern is that securitisation may simply be a clever piece of financial engineering, artificially driven by regulation. The reason for being suspicious is that the banks' main motive for securitisation is to get loans off their balance sheets and hence avoid onerous capital adequacy requirements imposed by the Bank of England.

While it is impossible to dismiss this concern entirely, the Bank's capital adequacy requirements seems sufficiently flexible to avoid such capital market distortions. Moreover, securitisation could provide real macroeconomic benefits by promoting a more efficient capital market.

Traditionally, banks both originate loans and carry the risks associated with them. Investors, on the other hand, have no way of investing directly in mortgages or other personal loans. The best alternative is to invest in a bank, but that carries all sorts of other risks they may not wish to bear.

Securitisation allows banks to concentrate on originating loans and the ultimate investors to select more precisely the type of assets they wish to buy. The overall upshot could be lower capital costs and a greater pooling of risk.

All-Share changes

WHEN the FT-Actuaries All-Share index first saw the light of day in 1962, it contained sectors such as shipbuilding, rubber manufacturing, and discount houses.

Thirty years later, the British economy has changed greatly, thanks to the growth of service industries, the decline of manufacturing, and the privatisation of utilities. The indices that carry the FT name have changed too, and from January 1994 they will change again, with the introduction of such new industry sectors as gas distribution, medical ancillaries and support services.

The work of reclassification is huge. It has been accomplished largely as a result of a partnership, cemented last year, between the Financial Times, the Institute and Faculty of Actuaries, and the London Stock Exchange. This agreement gives the FT-SE 100, the All-Share and the rest of the shared family of indices a consistent set of rules, overseen by independent committees of market participants.

One of these groups, the FT-SE Actuaries Industry Classification Committee, has carried the burden of re-assessing the industry sectors for the UK market.

They have achieved three significant improvements. First, each individual industry sector has been redefined to meet the activities of today's companies, rather than those of yesterday. Second, the stock exchange's much more detailed classification has been incorporated into the new conceptual framework, so it now forms the bottom tier of industrial "sub-sectors". Third, the old "economic groups", the broad industrial categories such as capital goods, the consumer group, the industrial group and so on, have been radically overhauled, to yield groupings which cluster together industries that move in step through the economic cycle.

Not every one will be happy with the changes, at least at first. Some companies will dislike their new homes; some investors will be unhappy at the loss of familiar sectors. The committee is happy to listen to those companies which believe they have been misclassified. And back histories of the new sectors, already calculated, give the new classification an instant pedigree. Most important, perhaps, the reclassification is based on a consistent set of principles, now published explicitly. It reflects the desire to make the governance of the indices transparent and independent.

The sponsors of the indices – the FT, the stock exchange and the actuaries – are keen to acknowledge their debt to the people who did the work, the members of the classification committee. The investment world will benefit from their efforts for years to come.

A caravan lost in the sands

Hard thinking on prospects for European monetary union has begun, say **Lionel Barber** and **David Marsh**

In a secluded hotel outside Brussels, European Community finance ministers gather today for a strategy meeting that could also represent a session of revelatory group therapy. For the first time since the summer monetary crisis which led to the virtual collapse of the European exchange rate mechanism, the ministers will discuss what went wrong, and what happens next.

Although French and Belgian politicians have made intermittent statements blaming "Anglo-Saxon speculators" for the currency unrest, the public debate on the lessons of the July-August debacle has barely begun.

But in private, there has been plenty of hard thinking about the future of European monetary co-operation and the goal of economic and monetary union.

The question is whether the EC has the political will to chart a new course to restore confidence in the project for economic and monetary union – or whether European currencies will continue to drift apart. The emergency agreement on August 2 on wider 15 per cent fluctuation bands in the ERM brought the EC a breathing space after the successive currency upsets since autumn 1992.

Mr Helmut Kohl, the German chancellor, has forecast a slippage of "a year or two" in the Maastricht timetable. The Bonn government and the Bundesbank, however, maintain that the band widening leaves the EC fundamentally on track for the Maastricht aim of achieving Emu by 1997 at the earliest and 1999 at the latest. In spite of discomfort in Paris over the weakening of the French franc's link with the D-Mark, this view is backed by the French government.

Mr John Major, the UK prime minister, has struck a jarring note by saying the Emu plan has "all the quaintness of a rain dance and about the same potency" – a statement which has caused irritation in the EC Commission in Brussels.

In some German business and financial circles, there is agreement with Mr Major's view that the Maastricht timetable is unrealistic – but this is a long way from the official line in Bonn.

One point seems to be undisputed: there will be no return to the old ERM, in which most currencies fluctuated around a 2¼ per cent band, until the recession on the Continent has clearly come to an end. Earlier hopes of a progressive narrowing of the 15 per cent fluctuation bands by the end of the year have been quietly dropped.

Yet the common European interest in monetary stability should not be under-estimated. Most member states want to avoid competitive currency devaluations – shown by the way that ERM members have not used their new-found flexibility during the last two months to lower their currencies significantly against the D-Mark.

Far less common ground exists on what might replace the old narrow-band ERM which was supposed to represent the route to Emu.

Mr Jacques Delors, the EC Commission president, has toyed with the idea of curbing currency speculation by placing exchange controls on speculative borrowing. His sentiments are fairly widely shared on the continent, but his suggestion has drawn criticism from the UK, and even the French government regards it as a non-runner.

Sir Leon Brittan, EC Commissioner for external affairs, has meanwhile urged states to stick to the Maastricht objectives but to make use of their greater exchange rate flexibility. He has called on countries such as France and Belgium to take advantage of the looser ERM arrangements to cut interest rates and promote economic recovery.

In Brussels, the Commission is pinning its hopes on the European Monetary Institute. It is to be set on January 1, 1994 – at the beginning of so-called "stage two" of Emu – as the forerunner of a future European Central Bank.

One idea circulating in Brussels is that individual central banks should pool resources so the EMI can intervene to defend embattled currencies. This idea is, however, rejected by the Bundesbank, which wants to retain complete autonomy before the planned establishment of a fully-fledged EC central bank.

A broader goal of most EC governments is to use the EMI to help persuade the Bundesbank take other countries' economies into account when taking interest rate decisions. Mr Felipe Gonzalez, the Spanish prime minister, said this week he hopes the EMI will ease the "frustrations" of having to wait "week by week" for the Bundesbank to lower interest rates.

So far, member states have failed to agree on the EMI's location or its president. EC leaders will try to break the deadlock at a special summit on October 29, when the Community is expected to place the EMI in Germany.

However sensitive the question of where to site the EMI, the real issue is the drive by other EC members to draw the Bundesbank into a more formal system of monetary co-operation.

Much will depend on the state of the Franco-German alliance, which was badly bruised during the summer. Mr Horst Teltschik, former foreign policy adviser to Chancellor Kohl, and now a board member with the Munich-based BMW motor group, describes French requests for unlimited support for the franc during the monetary upset as irritating: "They sometimes confuse our interests with theirs," he says.

One senior member of the Bundesbank council singles out for criticism Mr Edmond Alphandéry, the French economics minister, over his much-publicised call in June for the Bundesbank to lower interest rates: "He is a beginner, and he made a beginner's mistakes."

France wanted to take advantage of Germany's perceived economic weakness caused by reunification to push for greater monetary co-ordination. The signs are that Paris has not abandoned this strategy.

In August, Mr Edouard Balladur, the French prime minister, persuaded Mr Kohl to agree to a "convergence" programme which Brussels and Paris officials believe could pave the way for more institutionalised co-operation.

The immediate outlook, however, for progress along the path towards Emu appears gloomy. Three obstacles are apparent.

- Germany's own post-unity problems. Large fiscal transfers from west to east Germany – currently more than DM150bn a year – will be needed for at least another decade to maintain east German living standards. During this period of strain for the "anchor" economy in Europe, Germany is unlikely to be politically or economically ready to subsume its D-Mark into a single European currency.
- *The diminishing* chances that member states can meet the Maastricht convergence targets, set down as conditions for Emu. This year, general government deficits across the EC will average about 6 per cent of GDP – double the 3 per cent target set at Maastricht.
- The increasing temptation for European countries to see exchange rate flexibility as a means of solving economic problems. Britain, Italy, Sweden have shown that devaluation can be the clue to lowering interest rates and restoring modest economic growth.

France's position is crucial. It remains torn between its desire to maintain a tight link with the D-Mark and its need to engineer an economic recovery.

The Paris government's cautious monetary policy since August has allowed French long-term interest rates to fall again to German levels. France is hoping for a faster lowering of German interest rates next year, and a corresponding weakening of the D-Mark. But this is a gamble for the Balladur government as France heads towards the 1995 presidential elections.

The French strategy underlines how the Bundesbank remains the EC's supreme monetary arbiter. Mr Hans Tietmeyer, its new president, last week signalled that the central bank's policies would remain geared to Germany's economic priorities, not the rest of Europe.

Thus for all the ERM's new-found flexibility, the Bundesbank's anti-inflation stubbornness could still cause difficulties. Some EC Commission officials worry that members of the ERM "hard-core" such as France, Belgium and Denmark will be unable to maintain their recent currency stability unless they soon act to restore economic growth through more aggressive cuts in interest rates. If these cuts do not materialise, these Brussels officials believe, another currency upheaval could be in store – an event which could postpone Emu until the next century.

Palestine needs home-grown prosperity

PERSONAL VIEW

With the signing of the PLO-Israeli agreement, the international community and the Israelis have acquired a big stake in the economic success of the Palestinians.

The initial response has been encouraging. The October 1 donors' conference in Washington garnered aid pledges of more than $2bn over the next five years, with about $600m pledged for 1994. It was also agreed the World Bank would have the main responsibility for co-ordinating aid.

The aid numbers game is essential to focus the minds of the donors. But the aid effort will fail to foster sustained Palestinian economic development unless:

- the Palestinians manage their own economy, including establishing an agency to deal with the donors;
- aid does not exceed the Palestinian economy's capacity to absorb it;
- donors co-ordinate aid effectively;
- and there are rapid and visible improvements in economic conditions in Gaza and the West Bank.

Not enough attention is being given to helping Palestinians develop a capacity to manage their own economy and rely on their own resources to finance development. A Palestinian economic administration will start by taking over the economic functions of the Israeli civil administration, now staffed by Palestinians with Israelis in upper management. Future Palestinian managers should begin working with the Israelis as soon as possible. They need to be trained now to deal with the massive challenges of running and redesigning the system.

To avoid becoming too dependent on outside aid – a sure way of losing economic independence and eventually retarding economic growth – the Palestinians must develop their own sources of revenue. They currently pay about 13 per cent of gross national product in taxes, half to the civil administration. The Israeli-PLO agreement specifies that direct taxes in the territories be transferred to the Palestinian administration. They should also receive the remaining revenues, which include customs duties. Both economic independence and responsible government spending are enhanced if revenues come from taxation rather than foreign aid.

The aid agencies, and the governments they represent, are powerful and could easily impose their priorities on the Palestinians. Thus the Palestinians need urgently to create an agency to set their own aid priorities and co-ordinate donors. Technical assistance to do this could be provided by university affiliated advisers. The assistance may be financed by aid agencies, but should not be provided by them.

Economic autonomy and responsibility are enhanced if revenues come from taxation not aid

The overall size of the aid package should be guided by the capacity of the Palestinian economy to absorb it. With Palestinian GNP at less than $4bn and GDP at less than $3bn, massive amounts of aid (more than 12-15 per cent of GNP) could overwhelm the fledgling Palestinian administration and lead to greater economic dependence.

The Palestinians and aid agencies will have to draw up detailed plans for economic assistance, for financing specific projects and for general budgetary support, before aid figures can be trusted. The World Bank's estimate that the infrastructure needs of the next 10 years amount to $3bn is only one element of the calculation. But it would be surprising if much more than $500m a year could be productively absorbed in the next few years.

In eastern Europe, competing aid agencies overstretched the capacity of recipient governments and reduced the effectiveness of the aid effort. Donor governments in principle now recognise the need for aid co-ordination. They need to agree on an overall total for general assistance, to divide the total among them, and to select an agency to deliver the aid with appropriate conditionality. They also need to avoid an unseemly scramble for projects. The World Bank could handle both parts of the co-ordination task. It remains to be seen if governments permit it to do so.

There *is* an urgent need for short-term financial assistance that produces visible improvements for Palestinians. Labour-intensive projects, improving roads and sewers and housing, can get under way within months.

For the longer term, the economic policies of the Palestinian entity are more important than the amount of aid it receives. With free trade and economic co-operation with its neighbours, access to European and US markets, a well-designed aid programme and good economic policies, the Palestinian economy can gradually become economically independent and generate the prosperity that can sustain peace.

Stanley Fischer

The author is professor of economics at the Massachusetts Institute of Technology and was formerly vice-president and chief economist at the World Bank.

OBSERVER

Never say never

EC finance ministers meeting today near Brussels to ponder the aftermath of the summer ERM crisis should have packed their history books.

For there is a strong sense of *déjà vu* imparted by that early August communiqué announcing that member states would be widening "temporarily" the bands within which their currencies fluctuate. In September 1931, when Britain left the gold standard, Downing Street explained that the Bank of England would "suspend for the time being" its obligation to exchange sterling for gold.

Forty years later, it was Richard Nixon's turn to tell his country that he had decided to "suspend temporarily" the dollar's convertibility into gold. In his celebrated TV broadcast of August 1971, Nixon also demonstrated that French politicians were not the only ones to vent their spleen on the markets when the going gets rough. The US president blamed "international money speculators" for the dollar's woes. "Because they thrive on crises, they help to create them," he argued.

It was a similar story the next year, when Anthony Barber, the UK chancellor, announced that sterling was pulling out as "a temporary measure" from the ERM's forerunner, the currency snake. Sterling then stayed out of Europe's currency arrangements until the fateful decision to enter the ERM in October 1990.

Ministers today will be hoping that August's suspension of the narrow-band ERM does not turn out to be as permanent as the "temporary" steps of yesteryear.

Way out

■ Has trade minister Richard Needham hit on a solution to the blocking tactics of top civil servants famously portrayed in the Yes Minister TV series?

"I can't fire anyone," he complained to a fringe meeting during the Tories' Blackpool conference. But then he added brightly: "I can give them a nervous breakdown and hope they'll leave."

On target

■ After a week of stylish farewells to the town that first welcomed him as a junior international banking officer back in 1955, Sir William Purves left Hong Kong last night bound for London, from where, in accordance with the wishes of the Bank of England, he will now run HSBC Holdings.

His last public act was at a luncheon at the Foreign Correspondents' Club. All other ceremonies had proceeded smoothly, but the normally unflappable Purves began to look

a little queasy as club president Philip Bowring kicked off his introduction by mentioning the 1982 Carrian property scandal.

Recalling a confidential memorandum of a meeting between Sir John Bembridge, Hong Kong's gruff and tough financial secretary of the day, and a Malaysian government investigator, Bowring told how Bembridge had roundly libelled many of the colony's great and good implicated in the scandal. Purves's name had, of course, come up, Bowring related to a hushed audience. "Honest" had been Bembridge's summary appraisal.

Sir William's integrity has long been a legend in a town notorious for sharp practice. At a farewell for him and Lady Becky earlier in the week, Gordon Wu, managing director of construction group Hopewell Holdings, who has known him for more than 20 years, spoke of a great loss to Hong Kong. "He's as straight as an arrow," Wu added. Nervous staff at the London headquarters, who have heard also of his irascibility, are presumably even now burnishing their shields.

Bitter lemons

■ How badly does a Commonwealth member have to behave before being asked to stay away from the club's biennial get-together which opens in Cyprus later this month?

One might have thought that ignoring the result of a presidential election was a pretty severe infringement of the Commonwealth's new code of conduct, drawn up during the last conference in Harare, Zimbabwe, which underlined the importance of the "democratic process (and) ... fundamental human rights".

When Nigeria's General Ibrahim Babangida annulled the result of the June presidential elections, and extended the life of a military regime fronted by civilians, there was a stern rebuke from the Commonwealth secretary-general Chief Emeka Anyaoku, himself a Nigerian. Poor show, was his message, as he called on the military regime to "return the nation to the democratic road" and "restore Nigeria's standing in the wider world".

But let's not poop the party. An invitation to Cyprus has gone off to Ernest Shonekan, leader of Nigeria's military-backed government, and he has accepted with alacrity.

Switched off

■ Terrified of spiders, water or work? Fear no more, help is at hand via the DTI whose enterprising officials have handed out £45,000 towards a guide on how to overcome just such phobias.

According to Stuart Toole, managing director of software house CASW, which is crafting a computer program to help sufferers combat their fears, phobias constitute one important reason behind rising absenteeism from work.

Sadly the DTI declined to explain how this initiative would help those afflicted with that common phobia – of computers.

There's the rub

■ Analysts tired of hunting for hard data in company chairmen's reports would probably award the head of Thailand's Saha Union conglomerate good marks for at least admitting it. A page at the front of the group's accounts is headed: Massage to shareholders.

FINANCIAL TIMES
Friday October 8 1993

Rühe calls for new Nato partnership with Russia

By Quentin Peel in Bonn

A CALL for the Nato alliance to develop a "new strategic partnership" with Russia to meet Moscow's security interests came yesterday from Mr Volker Rühe, the German defence minister.

In a speech reflecting growing western concern at the pressure on Mr Boris Yeltsin, the Russian president, from his own military establishment, Mr Rühe told senior officers of the armed forces: "We will only achieve stability with Russia, not against it."

His statement amounts to a retreat from his earlier position, in which he stressed the need for rapid enlargement of Nato membership to include Poland and other central European countries – to the obvious anger of the Russian military.

Mr Rühe repeated his call for a "transfer of stability" by the Nato alliance to the east, linked to extension of the European integration process to include east European countries.

"Preventive crisis management means for us Germans above all extending the zone of stability in the west as far as possible to the east," he told officers' annual meeting in Mainz. "Germany has no interest in remaining the eastern frontier state of the western zone of prosperity. We are the ones who feel the effects of instability in the east most immediately."

This time, however, Mr Rühe stressed the need to take account of Russia's security interests. "Russia will not and must not be excluded from the European [integration] process," he said.

"It is striving for a new strategic partnership with Nato and a political-economic partnership with the European Community.

"We must take into account the extremely difficult situation of the forces for reform in Russia," he said.

His stance reflects western analysis that Mr Yeltsin has been forced to bow to Russian military pressure on several occasions recently, twice in letters to Nato allies, in order to ensure military support in his confrontation with the Russian parliament.

The Russian leader sent a personal letter to government leaders in the US, Britain, France and Germany warning against an expansion of Nato to the east, without taking account of Russian security concerns.

He has also sought to raise the ceilings on its forces in the Caucasus region, or breach the terms of the conventional forces disarmament treaty with the west.

Another sign seen as an ominous indication of military influence in Moscow was the army's free hand in supporting Abkhazian rebels in Georgia, in spite of the fact that Russia was supposed to be an impartial arbiter in the conflict there.

Mr Rühe has run into sharp criticism in Germany and Poland over earlier calls for rapid Nato membership, and also for joint Polish-German military exercises. The more careful tone in his latest policy statement appears to indicate that concern about the military influence in Moscow has now reached the planning staff of the armed forces.

US airlines must wait to compete in Europe

By Andrew Hill in Brussels

EUROPEAN Community airlines and telecommunications groups must be given time to grow stronger before the European market can be opened to full outside competition, according to the EC's competition commissioner.

In a speech due to be delivered in Washington last night, Mr Karel Van Miert said that although the EC was pledged to liberalisation in both sectors, it would not improve competition to give US companies immediate access to the European market.

Instead, he said EC airlines and telecoms companies should be allowed to "grow strong" within a liberalised internal EC market.

In the text of his speech – released in Brussels ahead of last night's address at the European Institute Club – Mr Van Miert pointed out that US airline companies "grew strong on the back of the world's largest and still protected market". EC air transport and telecoms companies deserved an equal chance to become competitive.

As the EC's transport commissioner until January this year, Mr Van Miert helped persuade EC member states to liberalise the Community's air transport market. Under the "open skies" programme, which came into force on January 1, airlines are allowed to set fares at any level, and EC carriers can compete on routes previously dominated by national airlines.

The text of last night's speech underlined his continued concern about discrimination in the US air transport market. He said the US would have to treat EC airlines in the same way as it treated its own before US carriers would be granted access to Community markets.The Community approach "is not a competitive free-for-all that could lead to ruinous competition".

Mr Van Miert said he also wanted to end the "popular misconception [in the US] that a large part of industry in Europe is either publicly owned or publicly controlled" and that it benefits from unfair state support. Such a misconception soured commercial relationships between the US and the EC, he said, particularly when state-owned EC companies wanted to make acquisitions in the US market.

UK chancellor backs Major and warns of tough Budget

By Philip Stephens, Political Editor, in London

MR KENNETH CLARKE, the UK chancellor of the exchequer, offered unequivocal backing for Mr John Major's leadership yesterday after keeping open the option of tax increases in his November Budget.

As Mr Major prepared for the most important speech of his three-year premiership at the end of the Conservatives' annual conference today, Mr Clarke dismissed speculation that he is poised on the threshold of 10 Downing Street.

The chancellor, containing a threatened conference rebellion against the imposition of value added tax on domestic fuel, declared: "Any enemy of John Major is an enemy of mine. Any enemy of John Major is an enemy of the Conservative party."

Mr Major managed yesterday to shrug off the appearance on the platform of his predecessor, Lady Thatcher. He is now left with an opportunity to start rebuilding his authority in his closing conference speech today.

Lady Thatcher has dominated headlines in British newspapers this week with criticism of her successor in her forthcoming memoirs.

With Mr Clarke warning of a tough Budget and dissident Tory MPs threatening to rebel against any further tax increases, few of the prime minister's cabinet colleagues judged the threat to his leadership had disappeared.

In a robust but less than inspirational performance, Mr Clarke hinted that VAT on fuel could be imposed at the full 17.5 per cent from next April. The present plan is for implementation in two stages – at 8 per cent in 1994 and 17.5 per cent in 1995.

He delivered a relatively upbeat assessment of prospects for sustaining the present economic recovery, and said the priority was to curb public borrowing: "The Conservative party is the party of sound money or it is nothing." He added that it had been a mistake to phase in VAT on fuel rather than impose it immediately.

But the chancellor's confident tone, bolstered by the failure of party activists to launch a concerted attack on the tax, was undermined by a renewed attack on his economic strategy by Mr Norman Lamont, his predecessor.

The former chancellor warned that tax increases beyond those he had announced in March would lose the Conservatives the next election. He said that Mr Clarke should instead raise another £5bn through a 2 per cent cut in public spending.

The threat that the political row over VAT on fuel might yet explode again was reinforced by a ministerial row over the proposed package to compensate those on low incomes for higher heating charges.

Senior ministers said that Mr Clarke had flatly rejected a demand from Mr Peter Lilley, the social security secretary, that the compensation should extend to people not reliant on income support.

Mr Clarke said it was "extremely difficult" to compensate that group.

THE LEX COLUMN

Clarke's conundrum

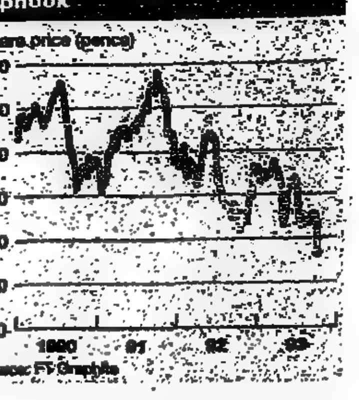
The abolition of purdah has not made it easy to discern what Mr Kenneth Clarke actually plans for his budget in November. Yesterday's conference speech, with its emphasis on spending restraint, looked more a rallying call than anything else. Mr Clarke has already said there is no room for cutting spending below the totals already proposed. But he was hardly gushing in his enthusiasm for higher taxes either. The suspicion remains that tightening in November will be kept to a minimum.

With financial markets in their present mood this may not matter much in the short run, especially since the recovery appears strong enough to reduce the PSBR below the Treasury's forecast of £50bn. One risk is that this could delude Mr Clarke into thinking there is no need for much action in November. He could then find himself having to address the structural part of the deficit much closer to the next election.

Another risk is that over-hasty tax increases would reduce the pressure for more desirable spending cuts. But some perks like mortgage interest relief and universal child benefit look ripe for reconsideration. Offsetting such change with lower interest rates could make the recovery more sustainable. Since the full benefit of rate cuts would not be passed on to mortgage borrowers, growth would be less dependent on consumers. Investment and, assuming a modest decline in sterling, exports would be stimulated instead. And Mr Clarke did say at the outset that he wanted to be a pro-business chancellor.

FT-SE Index: 3092.4 (-8.4)

Tiphook



Securitisation

It is no coincidence that Barclays and National Westminster should launch asset-backed bond issues in the space of two weeks. The Accounting Standards Board was brought on side earlier in the year, clearing a potential obstacle to this method of taking loans off balance sheet. After a period of doubt prompted by the travails of issuers such as National Home Loans and Leyland Daf, investors have also recovered a thirst for bonds backed by mortgages and other loans. New issue spreads have narrowed as a result, presenting the banks with an opportunity to raise cheaper funds.

Even so, clearing banks could still raise money more cheaply in other ways. The real gain arises from the transfer of risk to bond holders, which frees capital against which new loans can be made. Selling bonds backed by mortgages might allow the banks to continue building market share in the housing market, for example, without cramping their style elsewhere. Unsecured loans tie up even more capital than mortgages for regulatory purposes, so Barclays' issue of bonds backed by personal loans brings even greater benefits in this regard.

While neither bank is under immediate pressure to raise capital, testing the water now might pay off later if loan demand recovers in line with the economy. Even if capital remains plentiful there is virtue in keeping the loan book balanced between different types of risk. Having expanded in commercial property lending in the 1980s, Barclays in particular will appreciate the danger of having too many eggs in one basket.

French privatisation

Whether BNP's offer price is objectively cheap or not, both French private investors and international fund managers clearly seem to think so. The scramble for BNP's shares will help create a suitably frenetic psychological climate. Tax benefits and loyalty shares will provide more material incentives for domestic investors. Foreign fund managers may grumble they have been unable to buy meaningful shareholdings. But it was always the government's intention to treat them mean and keep them keen for subsequent issues.

The French government is either being astonishingly naïve or extremely sophisticated in this approach. Arguably, giving away too much premium now will only depress the prices achievable for forthcoming issues. But maximisation of revenue is not the government's sole priority. It has broader aims to encourage wider share ownership and develop France's securities markets. Moreover, it could reckon that what it loses now can be made up later, in the same way as the UK government achieved a strong price for the third tranche of BT shares.

The trouble with this theory is that investors may prove smarter than the government anticipates. Of necessity, the privatisation programme has had to be front-loaded with attractive assets most likely to appeal to foreign fund managers. The government, though, may receive a nasty shock if it subsequently aims for fatter prices on less appealing propositions like Bull and Air France.

Tiphook

Tiphook's sunny disposition has let it down once more. Less than six months ago the company was cheerily brushing away worries that it might breach its banking covenants. Now those limits stand at risk and gearing is likely to exceed the level allowed by the company's articles of association. Nor are its constraints particularly conservative. Tiphook's main covenants are set at 1.25 times interest cover and gearing is already permitted to rise to 500 per cent. Loading up the truck with debt has certainly exacerbated the company's difficulties, but its high capital spending is not just a thing of the past. Tiphook recently committed itself to buying £378m of trailers over the next five years.

From now on, cash flow rather than reported profits will determine the company's fate. Banks may decide that renegotiating the loan agreements is preferable to more drastic action, but a much less expansive management style will be needed to contain the situation. Working off Tiphook's mountain of debt will also need the kind of recovery in Europe which is all too clearly absent at present.

In the near term the dividend must look vulnerable, removing one prop from the share price. The net assets per share are an apparent comfort, though the prospect of selling large numbers of trailers and containers in the current market is hardly appealing. There is a good business inside Tiphook, but there remains a risk that the weight of debt will break its axle.

Satellite TV under threat

Continued from Page 1

Mr George Eriksson, a senior executive of the MPEAA, commented : "It is a very serious problem".

The satellite industry believes the cards are being manufactured in Bochum in Germany.

Mr John Spencer, UK marketing director of GI, the US electronics company which has been monitoring the pirate decoders believes the VideoCrypt being used by BSkyB is being routinely broken by the pirates.

But in a cat-and-mouse game with millions of pounds at stake BSkyB is changing its signal when it thinks the threat from a particular illicit card has become unacceptable.

"Two weeks ago they (BSkyB) changed their signal. It was only a couple of days before new cards were available," said Mr Spencer.

Russia prepares reforms

Continued from Page 1

satisfy their aspirations of autonomy while retaining the power of the centre to levy and redistribute taxes.

Some ministers fear that if Mr Yeltsin continues to insist on delaying presidential elections until next June, the prolonged pre-election period will again freeze reforms and result in expensive promises.

"I am in favour of simultaneous presidential and parliamentary elections in December," Mr Fyodorov said, "partly because it would be less expensive and partly because it would give the president a better chance to win."

In the two months before the election scheduled for December 11-12, economic changes will be confined mainly to bringing the budget deficit under control.

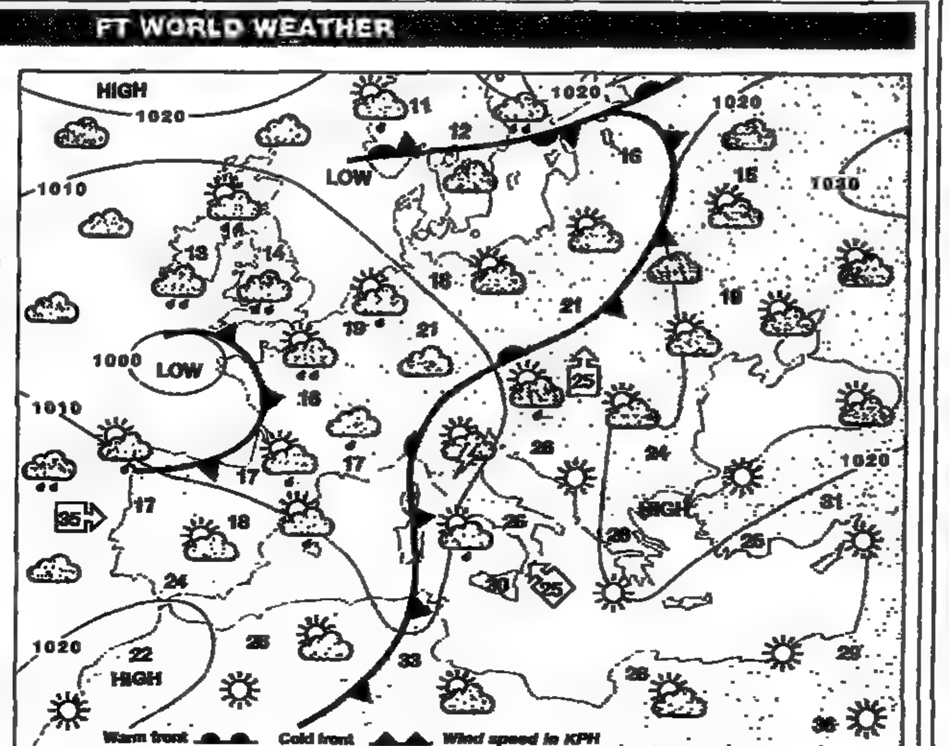
FT WORLD WEATHER

Europe today

Winds from the south will occur between low pressure in extreme western Europe and high pressure over the far eastern part of the continent. There will be showers near a lingering front from Italy to Russia dividing cool from warm air. Heavy rain, up to 50-90mm, is expected along the southern Alps. Further north along the front, clouds will prevail but showers will be isolated. However, heavy rain will fall near the front in southern Finland. Rain will be scattered around western Europe, especially in western France and southern England where the steadiest rain will occur. Rain will affect northern Portugal as well. Elsewhere on the Iberian peninsula, it will be dry but relatively cool.

Five-day forecast

Low pressure will persist over the far west of Europe. A series of fronts with showers will arrive from the Atlantic over Portugal, western France, and most of the British Isles. In Germany, Austria and the former Yugoslavia, heavier outbreaks of rain are possible on Saturday. Most sunshine will occur in south-eastern and eastern Europe, including western Russia. Temperatures will be unseasonably high in the east.



Situation at 12 GMT. Temperatures maximum for day. Forecasts by Meteo Consult of the Netherlands

TODAY'S TEMPERATURES

		Maximum Celsius
Abu Dhabi	sun	33
Accra	thund	30
Algiers	fair	25
Amsterdam	cloudy	18
Athens	sun	26
B. Aires	sun	28
B.ham	shower	14
Bangkok	fair	33
Barcelona	fair	21
Beijing	shower	24
Belfast	fair	13
Belgrade	sun	28
Berlin	fair	20
Bermuda	fair	28
Bogota	thund	17
Bombay	shower	31
Brussels	cloudy	19
Budapest	fair	24
C.hagen	fair	14
Cairo	sun	26
Cape Town	shower	24
Caracas	fair	31
Cardiff	shower	14
Chicago	cloudy	22
Cologne	cloudy	19
D' Salaam	fair	30
Dakar	cloudy	31
Dallas	sun	26
Delhi	fair	34
Dubai	sun	33
Dublin	shower	12
Dubrovnik	sun	26
Edinburgh	rain	12
Faro	fair	20
Frankfurt	fair	18
Geneva	rain	12
Gibraltar	fair	22
Glasgow	cloudy	12
Hamburg	fair	16
Helsinki	rain	12
Hong Kong	fair	29
Honolulu	sun	29
Istanbul	sun	24
Jersey	rain	14
Karachi	shower	33
Kuwait	sun	37
L. Angeles	sun	23
Las Palmas	sun	26
Lima	cloudy	20
Lisbon	shower	18
London	shower	16
Lux.bourg	cloudy	15
Lyon	shower	13
Madeira	sun	23
Madrid	fair	14
Majorca	fair	22
Malta	sun	28
Manchester	fair	14
Manila	shower	28
Melbourne	shower	19
Mexico City	sun	20
Miami	fair	31
Milan	thund	18
Montreal	shower	10
Moscow	fair	11
Munich	cloudy	20
Nairobi	cloudy	25
Naples	thund	26
Nassau	fair	31
New York	fair	26
Nice	thund	20
Nicosia	sun	28
Oslo	fair	12
Paris	shower	16
Perth	fair	17
Prague	shower	20
Rangoon	cloudy	31
Reykjavik	fair	7
Rio	fair	24
Riyadh	sun	34
Rome	thund	26
S. Frsco	sun	23
Seoul	fair	23
Singapore	cloudy	32
Stockholm	cloudy	12
Strasbourg	fair	15
Sydney	fair	28
Tangier	fair	21
Tel Aviv	sun	26
Tokyo	fair	22
Toronto	fair	9
Tunis	fair	30
Vancouver	fair	17
Venice	thund	22
Vienna	fair	24
Warsaw	sun	19
Washington	cloudy	25
Wellington	cloudy	16
Winnipeg	fair	10
Zurich	rain	14

FINANCIAL TIMES

COMPANIES & MARKETS

Friday October 8 1993

INSIDE

Revised sectors for FT-SE share indices

From January 1994, a revised industry classification will apply to the FT-Actuaries All-Share Index and other FT-SE UK indices. The changes are evolutionary, not revolutionary: there are now 40 industrial sectors, instead of the previous 35, and many All-Share companies will appear in new sectors. A breakdown of the new classification appears on **Page 37. Companies affected, Page 27. Editorial comment, Page 19**

Allianz reveals top holdings

Allianz's decision to disclose its holdings of 10 per cent or more in financial and industrial companies has been hailed as a milestone in the history of the Munich-based insurer. **Page 22**

US roll of 'worst' performers

IBM, RJR Nabisco and Bethlehem Steel were named yesterday as being among the financially worst performing large companies in the US. **Page 22**

Queries after Laidlaw departure

The abrupt departure of the chief executive of Laidlaw, the North American waste services and school bus operator, raises a question mark over the Ontario-based company's 28 per cent stake in ADT, the international security services and vehicle auction group. **Page 23**

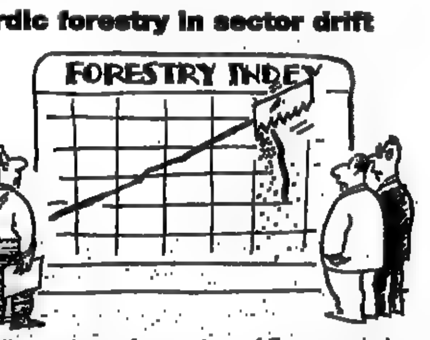
Boost for Lloyds Chemists

Acquisitions helped to boost annual profits and sales at Lloyds Chemists which yesterday reported a 40 per cent increase in the annual pre-tax return to £49.7m ($75m). **Page 26**

Russia hits back at EC curbs

Russia has told the European Commission, which has imposed curbs on Russian aluminium imports, that it is prepared to cut its exports only if western producers undertake similar "self-restrictions". **Page 35**

Nordic forestry in sector drift



Over the past year few sectors of European industry have performed as well as Nordic forestry. During the past few weeks, however, shares in most of the region's pulp and paper groups have been drifting because of disappointment that the hoped-for market upturn has not materialised. *Back Page*

Market Statistics

Companies in this issue

Chief price changes yesterday

FRANKFURT (DM)

Rises			
Aachen Mch	1398	+	23
Colonia Konzern	1365	+	40
GEHE	430.5	+	12.5
Schering	1022	+	29.2
Sud Chemie	489	+	19
Varta	324.5	+	12.5

NEW YORK ($)

Rises			
General Motors	44	+	1
Liberty Media	26⅞	+	1⅞
Falls			
Corning	27½	–	6⅞
United	23	–	⅝
JC Penney	46⅛	–	⅞
Sears Roebuck	58½	–	¾

PARIS (FFr)

Rises			
Fonc Lyonnaise	823	+	17
Soc Generale Fr	676	+	14
Worms Cie	319	+	14.9
Falls			
Cr Fonc France	1185	–	27
Intertechnique	520	–	39
Paris Reescompt	473	–	14.4

TOKYO (Yen)

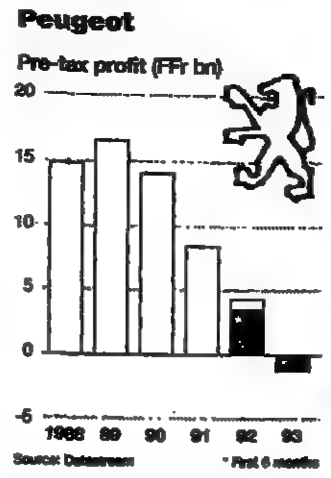
Rises			
Misawa Ceramic	800	+	79
Nakamichi	549	+	40
Nissan Motor	767	+	26
Tofuku Fiber	586	+	59
Falls			
Hokuriku Seiyaku	2100	–	200
Sankyo	2830	–	130

New York prices at 12.30pm.

LONDON (Pence)

Rises			
Abbeycrest	83	+	4
Amber Day	59	+	3
Bibby (J)	92	+	7
Bluebird Toys	523	+	26
Boddington	274	+	14
Drew Scient	85	+	6
Grampian Hldgs	152	+	15
Lloyds Chem	284	+	15
Manchester Utd	580	+	38
Marston Thmpsn	278	+	12
Merivale Moore	55	+	17
PSIT	165	+	8
Falls			
Automated Sec	132	–	7
Campari Int	93	–	48
Etam	258	–	11
Galliford	41	–	3
Hadleigh Inds	86	–	4
Higgs & Hill	106	–	8
Huntleigh Tech	423	–	30
Martin Int	[illegible]	–	38
Micro Focus	1610	–	153
Sedgwick	168	–	7
Tiphook	169	–	70
Whessoe	230	–	30

Peugeot blames loss on falling demand




Calvet: Japanese share rises

By David Buchan in Paris

PEUGEOT-CITROEN plunged into a net loss of FFr1.12bn ($193m) in the first half of this year, the French car group announced yesterday. It said there was no sign of a pick-up in demand.

The first-half loss compared with a FFr2.3bn net profit in the first six months of 1992, and a FFr3.37bn profit for the year. The car group blamed the sharp deterioration on the 17.3 per cent drop in west European car demand in the first half of this year and the effects of currency devaluations in Britain, Italy and Spain.

The adverse effect of currency variations between the first halves amounted to FFr1.28bn. Without this factor, the results would have showed a slight profit, Peugeot claimed.

Forecasting an industry decline of 16 per cent in sales in Europe this year, Peugeot said it would "significantly" reduce output in the remaining months of this year by short-time working and more permanent redundancies "which it is no longer possible to delay further".

The group, headed by Mr Jacques Calvet, has long criticised the European Commission for giving Japanese carmakers too free a run in the European market. Yesterday's statement complained that the Japanese had increased by nearly 1 percentage point their share of the European market.

However, the group noted it had maintained its 11.9 per cent portion of the west European market in the first half, gaining market share in the UK and Germany. It pinned hopes on the newly-launched Peugeot 306 and the Citroën Xantia.

Group turnover fell 11.4 per cent in the first half, less than the general industry decline. The company said the decline was only 7.1 per cent if the effects of currency devaluations, reducing the return in franc terms of UK, Italian and Spanish sales, were factored out.

The downturn caused a deterioration in the group's cash flow to FFr5bn in the first half of this year from FFr7.8bn in the same period of 1992.

But this enabled the group to cover 83 per cent of its FFr6bn investment in plant and equipment in the first six months of this year, with net financial debt standing at FFr17.5bn at June 30, 1993.

Peugeot's results compare with rival French carmaker, Renault, which in August saw interim profits plunge almost 90 per cent to FFr730m, from FFr5.4bn in the same period a year ago.

At the time Renault warned that it saw "no sign of recovery in the European market for cars and commercial vehicles".

Roche's sales surge in quarter

By Ian Rodger in Zurich

ROCHE Holding, which has just surpassed Merck of the US to become the world's most highly valued pharmaceuticals group, has reported an 11 per cent rise in sales in the first nine months of the year, to SFr10.7bn ($7.5bn).

The figures reflect an 18 per cent surge in sales in the third quarter, more than double the growth rates in the first and second quarters.

The Basle-based group expected a "further good increase" in sales in the fourth quarter adding: "Barring extraordinary circumstances, another significant increase in group profit is expected for the current year."

Roche shares, both the widely held "genusscheine", or dividend right certificates, and the more closely held bearers, have more than doubled in value in the past year, bucking the trend of investors losing enthusiasm for pharmaceuticals shares because of increased political pressure on drug prices.

Yesterday's midday prices valued Roche at SFr52.3bn. At Wednesday's close in New York, Merck, the largest US drug group, was valued at $34.35bn, or SFr48.9bn. Glaxo, of the UK, stood at £19.9bn ($30bn).

Roche said all its divisions contributed to the third-quarter growth. Pharmaceuticals revenues, which account for just over half the total, soared 29 per cent to SFr1.9bn.

The group said its drug sales had not been affected as much as those of some competitors by political action against high prices. Its products were biased towards the hospital sector, where competitive forces had long been strong in the US. In Germany, where government pressure on prices had also been stepped up, the emphasis was on doctors' prescriptions rather than hospital purchases.

Roche also pointed out that its sales figures were flatteredby the weakening of the dollar.

Among its new products, the anti-depressant Aurorix, Inhibace for treating high blood pressure and Neupogen for preventing chemotherapy-related disorders showed particularly high growth rates. Other good sellers included Dormicum/Versed, a mild anaesthetic, Furtulon for treating tumours and Roaccutane for severe acne.

The diagnostics division had a 19 per cent jump in sales to SFr432m mainly because of the good performances of its US service laboratories.

● Sandoz, another large Swiss pharmaceuticals group, is hoping for double digit profit growth in 1993. In 1992 Sandoz reported a 34 per cent rise in group net income to SFr1.49bn but attributed half the to the introduction of International Accounting Standards.

Alice Rawsthorn and John Gapper assess the pricing of the first French privatisation

An offer investors could scarcely refuse

French economy ministry officials could barely disguise their glee when they announced on Wednesday that the FFr8.3bn ($1.46bn) institutional tranche of the Banque Nationale de Paris share sale had attracted applications for FFr100bn of shares in just two days, and was closing a week ahead of schedule.

The reason for BNP's appeal to institutions is obvious – the offer price. Analysts had been expecting a share price of between FFr250 and FFr275 for BNP. But the government pitched the price at only FFr240, valuing BNP, one of Europe's biggest banks, at FFr43bn.

BNP is the first of up to 21 state-controlled companies scheduled for sale in the Balladur government's privatisation programme. The issue will set the tone for the other sales. Yet the closure of the institutional issue prompted the accusation that the government was over-cautious.

"Is the price too low? Of course it is," said Mr Thierry Tamers, head of North American equity sales at Baring Securities in Paris. "But it was not a financial calculation, it was political scheming. The Balladur government can't afford to risk its first privatisation being a fiasco."

There are several reasons to believe the price was set too low. The most obvious is that the only tradeable shares in BNP, the non-voting Certificats d'Investissements, yesterday closed at FFr282.

Since it will cost CI holders FFr5 to buy voting rights, this implies a share price of FFr277.

Second, the strength of capital flows from US and Japan means that a more tightly priced issue would still have attracted interest. "It was not so much undervaluation as the fact that there is a lot of capital around," said Mr James Alexander, an analyst at Daiwa.

Third, BNP shares some characteristics with the kind of bank which has drawn investor interest in the US and the UK. That is, a bank which is suffering from asset quality problems and indifferent management, but which has strong recovery potential.

Evidence is provided by the pricing of the equity at 78 per cent of net asset value, compared with a 120 per cent valuation for Société Générale. SocGen reinforced the impression that it is better run earlier this week by announcing a 9.2 per cent rise in net profits.

According to this view, the installation of Mr Michel Pébereau as BNP's chairman will allow BNP to release some of the value trapped in its large franchise. Reforms such as cost-cutting and refocusing the business should combine with falling provisions to allow a sharp recovery.

However, other analysts argue that the government would have been unwise to price the issue closer to the level implied by the CI value. One reason is that BNP's share price could yet fall. The second is that there are larger questions about privatisation at stake.

The rally in bank shares this year might come to grief. Investors have already discounted considerable earnings recovery, and some analysts regard French banks as over-priced compared with those of other countries.

Shares of banks such as National Westminster, in the UK, and Citicorp, in the US, have rallied as investors have calculated the potential recovery in earnings, as burdens of bad debt fall away. These "normalised" earnings levels – expected in two or three years – are similar to late 1980s figures.

The ratio of share prices to bank earnings in France are already more demanding than in some other European markets. The multiple for BNP CIs last year was 17.4, compared with an average multiple for Spanish banks, which have performed better than French ones, of 7.7.

This implies that French bank shares are at least capable of a correction later in the year. This is particularly true given the poor state of the French banking market, which is suffering heavily from poor asset quality in the recession.

The government's need to allow a suitable margin is made more pressing by the fact that investors in future privatisations will be able to see BNP's fortunes. "The government isn't an ordinary seller," said Mr Thierry Aulagnon, the Trésor official in charge of privatisation. "It needs to maximise the revenue from its entire programme."

The Balladur government badly needs the income from its proposed share sales to stem its rising budget deficit. Official estimates suggest the deficit will reach FFr317bn this year. However, private sector economists suspect it could go higher. Mr Jean-François Mercier, chief French economist at Salomon Brothers, expects the deficit to grow to roughly FFr345bn for 1993.

The government is also aware that it faces competition from other European privatisations – the estimated total value is $100bn.

Finally, it may have been concerned about public ambivalence towards share ownership. France's last privatisation drive was halted by the October 1987 crash. The misgivings this caused helped cut the number of individual investors from 5.5m to 4.5m.

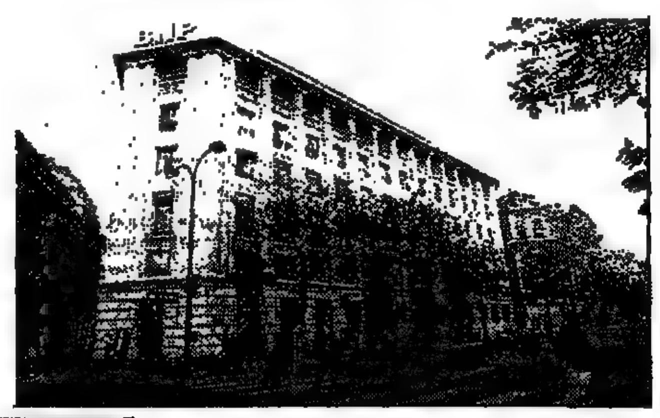
This helps to explain why the administration opted for a safe BNP price.

However some analysts are concerned that investors will have been encouraged to expect similarly low prices for other issues, thereby raising the risk of reduced returns.

"Everyone loves a great deal," said Baring's Mr Tamers. "But the BNP issue might have set a bad precedent in that the market may expect sharp discounts for the other privatisations."

Additional reporting by David Buchan

Bank for sale, going cheap?



BNP	Market capitalisation Oct 6, 1993 ($bn)	Assets end 1992 ($bn)	Pre-tax profits 1992 ($)	Return on assets (%)
BNP	7.6	284.8	660m	0.24
Deutsche	22.5	303.6	2.32bn	0.76
National Westminster	13.2	216.5	612m	0.28
Citicorp	14.6	211.9	1.43bn	0.68

Sources: Datastream, The Banker

Consumer credit venture for China

By Robert Thomson in Tokyo

AFTER four decades of being judged for their political worthiness, Chinese will be assessed for their creditworthiness under a consumer finance joint venture launched yesterday by Orix, the Japanese leasing company.

The Shanghai-based venture, claimed to be China's first consumer credit company, will introduce consumers to instalment payments, which until now have generally applied only to housing purchase schemes and Communist Party membership.

"We will be judging Chinese consumers in the same way that we judge the creditworthiness of Japanese consumers. We are aiming at a managerial class, people who can afford consumer durables," Orix said yesterday. "There hasn't really been a system of giving credit ratings to people in China, so this a historic thing."

Credit has been slow to be accepted in China, which first created its own plastic, the Great Wall debit card, seven years ago and has traditionally done business in awkwardly large wads of renminbi or "people's money".

Shanghai Yintong Trust, or Yin-Xin Credit for short, will open next month. Orix has three Chinese partners, the Industrial and Commercial bank of China, the Shanghai Number One Department Store and Shanghai Friendship Overseas Chinese Company. Orix and the bank each hold 41.67 per cent, the other two share the rest. Yin-Xin has registered capital of $2.1m and an initial contract life of 20 years.

The Japanese company has a long-term vision of Chinese customers borrowing from Orix-linked loan shops and carrying a pocketful of credit cards, if the Chinese government approves.

Initially, the credit will be provided through state-owned and foreign-backed stores and the sales agents of the Japanese consumer electronics companies. It is intended to support such purchases as television sets, air conditioners and furniture.

Tiphook share value slashed

By Andrew Bolger

SHARES IN Tiphook, the container leasing and transport rental group, fell nearly 30 per cent yesterday after the loss-making group warned that it would breach its banking covenants.

The UK-based group, which has debts of $1.5bn and gearing of more than 470 per cent, is forbidden by articles of association from allowing gearing to exceed 500 per cent. Shareholders will be asked to approve new borrowing limits, and the company said it had begun to negotiate with its bankers.

The announcement was the latest in a series of shocks from the former stock market star. These have caused its market value to collapse from $951m in 1991 to $280.86 at last night's close. This latest setback calls into question the future of Mr Robert Montague, Tiphook's executive chairman, who founded the group in 1978. It now operates in 38 countries and has the world's second-largest fleet of containers – after Genstar – and Europe's biggest fleet of trailers.

Analysts said the need for the group to obtain shareholder approval of new borrowing limits at an extraordinary general meeting would give investors an opportunity to depose Mr Montague. The banks, which are negotiating new facilities, could also demand his departure.

Since 1991 the proportion of the group's equity held as American Depositary Receipts has risen from 2 per cent to more than 50 per cent.

Moody's, the US credit rating agency, said last night it might downgrade the rating on about $700m of the group's debt from Ba-2, which is already a so-called speculative grade.

Lex, Page 20

Philips sells video chain to Blockbuster for $150m

By Ronald van de Krol in Amsterdam

PHILIPS of the Netherlands is to sell all its 430 video and music retail stores in the US to Blockbuster, the US video rental and retail group, for $150m.

The Dutch electronics group, which owns about 7.5 per cent of Blockbuster's share capital, said that its shareholding could rise to about 10.5 per cent if Blockbuster decided to pay for the stores with its own shares.

However, Blockbuster, the world's biggest video retailer, may choose to pay cash, or in both cash and shares.

The deal is expected to be completed by the end of next month. Philips said the disposal reflected the dominance of the US market by a handful of large companies such as Blockbuster, which operates more than 3,250 video rental shops, most of them in the US. Philips said the US stores would be better off in the long term under Blockbuster's ownership.

The 430 stores being sold belong to Philips' Super Club subsidiary, and they account for about three quarters of Super Club's annual turnover of Fl 850m ($465m).

After the sale, Super Club will consist of 320 video rental shops in the Netherlands and Belgium.

The US stores are profitable, but those in the Benelux are loss-making. The European market is more fragmented than that of the US, and Philips said it had no plans to sell off the stores in the Netherlands and Belgium, where Super Club is the market leader.

Philips, one of Europe's few remaining producers of video cassette recorders, televisions and compact disc players, has been trying in recent years to gain control of retail channels for software such as CDs and video cassettes.

The company said the US disposal did not mark a setback because it remained closely involved in the US retail market through its investment in the Blockbuster group.

BAe plans sale of Dutch unit

By Ronald van de Krol in Amsterdam

BRITISH Aerospace has agreed in principle to sell Ballast Nedam, its Dutch-based construction subsidiary, to the Dutch dredging company Boskalis for around Fl 500m ($263m).

The transaction is effectively a reverse takeover, since Ballast Nedam is more than twice as large as Boskalis in terms of turnover.

Boskalis, the world's leading dredger, will finance part of the acquisition through a Fl300m share issue. It gave no details but said the tie-up with Ballast Nedam was expected to lead to higher earnings per share, provided that market conditions remained stable.

The deal ends a period of uncertainty about the future of the Dutch construction company. BAe is disposing of the business to help restructure and focus on core activities.

Last month, Ballast Nedam and Boskalis disclosed that they were looking into "possibilities of co-operation", including the option of a full equity link-up. Earlier, Ballast Nedam had attempted to arrange a flotation, but BAe objected, prompting the Dutch company's chairman to resign.

The sale to Boskalis, which is listed, will fulfil Ballast Nedam's hopes of gaining access to the Amsterdam stock exchange.

Trebruk buys Polish paper group

By Christopher Bobinski in Warsaw

TREBRUK, a Swedish paper producer, yesterday took over Poland's heavily indebted Kostrzyn pulp and paper manufacturer for 800,000 zlotys ($40).

The Swedish group will take over a 180bn zloty debt which is to be repaid in annual tranches over the the next three years. It has promised to invest $55m in the plant.

Last summer, a number of local creditors agreed to waive Kostrzyn 275bn zlotys worth of debts to make the sale possible.

Trebruk's investment funding for Kostrzyn is to come from a $32m loan from the European Bank for Reconstruction and Development (EBRD) of which at least $7m will be syndicated to Polish and foreign commercial banks.

The EBRD financing is conditional on the raising of a further $20m by Trebruk from the Nordic Environment Finance Corporation and other investors.

Trebruk is planning to quadruple output at the Kostrzyn plant on the Oder river, 70km from Berlin, to increase exports to the EC, Mr Olle Grundberg, the company's chairman said yesterday.

In 1989, Kostrzyn produced 68,000 tonnes of paper compared to 169,000 tonnes of paper produced in that year at Kwidzyn, the most modern Polish mill which was sold last year for $175m to the International Paper Company of the US.

The deal leaves several more paper companies to be sold including the Kielce paper works.

The Polish government was advised on the privatisation of the sector by Hambro's Bank until the end of June this year when Hambro's contract was not renewed.

● Schroders, which earlier this year advised the Polish government on the privatisation of the Wielkopolski Bank Kredytowy, has established a wholly-owned subsidiary in Poland.

Central bank acts on Ferruzzi deadlock

By Robert Graham in Rome

THE Bank of Italy is attempting to help break the deadlock between the administrators of the collapsed Ferruzzi-Montedison group and the creditor banks over proposals to call a temporary moratorium on debt service payments.

Debts service payments are reportedly in the region of L130bn ($81.81m) a month. Mr Guido Rossi, the chief administrator of Ferruzzi-Montedison, is seeking a moratorium of at least until the end of the year in order to launch a rescue plan for Italy's second largest private group.

This is being opposed strongly by the 100-odd foreign banks. Without an agreement there is a risk of one or several of the banks pressing for bankruptcy proceedings. At the end of last May the Ferruzzi group had outstanding debts of L28,000bn. Of this sum foreign banks account for L6,500bn.

Representatives of the 300 foreign and Italian banks are due to meet at the Bank of Italy in Rome today. This is likely to be one of the last opportunities to hammer out a common approach to rescuing Ferruzzi-Montedison in advance of October 14.

Ferruzzi Finanziaria (Ferfin), the principal holding company, is then due to approve its half-year results. These results were not approved at a board meeting on September 30 because the extent of losses was liable to alter substantially, depending on the nature of the agreement with the creditor banks.

The Bank of Italy yesterday was careful to point out it had not formally called the meeting but was merely acting as a neutral host.

However, a senior Italian banker said the central bank would be deploying its powers of 'moral persuasion'. Previously the Bank of Italy had hosted a meeting between the creditors and Ferruzzi-Montedison at its Milan offices. The choice of Rome underlines the venue's importance.

Allianz disclosure helps clear fog

David Waller writes on the unveiling of the insurer's financial might

ALLIANZ'S decision to disclose its holdings of 10 per cent or more in financial and industrial companies is a milestone in the history of the Munich-based insurer.

The significance of the move lies in what was disclosed – large stakes in 11 German financial and industrial companies and five foreign ones – and because the disclosure was made at all.

It serves to flesh out the contours of Allianz's role as a dominant force in German corporate and financial life, a position the company shares with the Deutsche Bank, Germany's biggest bank. It demonstrates the shareholdings that criss-cross corporate Germany.

There has never been any doubt about Allianz's financial might. Its portfolio of investments was worth DM184bn ($108bn) at book value alone at the end of last year. As Mr Emilio Galli-Zugaro, the group's Italian press officer, likes to joke, this would be enough to settle his home country's national debt.

Some of the bigger equity holdings have been known for some time. For example, the 25 per cent stake in Münchener Rückversicherung, the world's largest reinsurance company, 22 per cent in Dresdner Bank, Germany's second biggest bank, and more than 20 per cent in the Bayerische Hypo-Bank, another large bank.

The size of other stakes could previously only be guessed at.

Now we know that Allianz owns 14.4 per cent of the BASF chemicals group, 12.9 per cent of the RWE energy-based conglomerate, 14.8 per cent of the Linde engineering group, 12.1 per cent of the Veba conglomerate, 16.9 per cent of BHF-Bank. In total, Allianz revealed stakes worth DM8.9bn at the end of June. This is only part of the portfolio, as only stakes of 10 per cent or more were disclosed.

Allianz's tradition of secrecy was the hallmark of Mr Wolfgang Schieren, the architect of the company's spectacular expansion over a number of decades. Two years ago he stepped up from his position as chief executive to the supervisory board, succeeded by Mr Henning Schulte-Noelle.

Mr Schulte-Noelle would have had to make the disclosures anyway: new securities market legislation to be introduced in Germany next year is likely to set a 5 per cent threshold for disclosure of share stakes, compared with 20-25 per cent at present.

That is not to underestimate the new chief executive's break with the past in releasing the information. Many big German companies are reluctant to make such disclosures. Siemens revealed two large holdings last month only after it lost a court case brought against it by Professor Ekkehard Wenger, a well-known champion of shareholders' rights. (One of those holdings was a 3 per cent stake in Allianz.)

Prof Wenger had intended to pursue Allianz in the courts as well but was silenced by Mr Schulte-Noelle's decision.

Allianz's decision to provide more information is not an isolated act. It has to be seen in the context of moves by a number of large companies to enhance their disclosures to shareholders.

The most obvious example was Daimler-Benz's move to publish its accounts according to US Generally Accepted Accounting Principles (US GAAP), a precondition of the mould-breaking listing of its shares on the New York stock exchange earlier this week.

German banks have also taken steps to bring standards of disclosure up to what Mr Hilmar Kopper, Deutsche Bank's chief executive, has jokingly described as the standards of the "civilised" (ie non-German) world.

German corporates are increasingly keen to engage in investor relations activities. This was brought home again this week as retailer Kaufhof Holding announced plans to establish a sponsored American depositary receipt programme for its shares in New York, thus becoming only the second non-financial German company to woo US investors community in this way.

These developments show a decisive, if not all-pervasive, shift in the the attitude of the management of big German companies to minority shareholders – predominantly the foreign institutional investors whose interests have not tended to be paramount in German corporate decision-making.

Premium income at Allianz is likely to rise by 14 per cent this year to DM62bn ($36.5bn), Mr Mr Henning Schulte-Noelle, the group's chief executive told Wednesday's shareholders' meeting, writes David Waller.

At the same time, the level of losses on the group's mainstream insurance activities – the so-called technical result – was set to fall from the 1992 level, he said.

Total profits, which include earnings in interest income as well as the technical result, would increase in 1993. Last year net profits dropped by 18 per cent to DM857.9bn while the technical result was DM1.68bn, fractionally lower than in the previous year.

Barring unforeseen catastrophes in the final months of the year, this would probably enable Allianz to pay the same level of dividend as last year, Mr Schulte-Noelle said. The 1992 dividend was DM13.50 per share.

Company classifications alter

By Maggie Urry in London

A COMPREHENSIVE review of the companies and sectors which make up the FT-SE Actuaries Share Indices has been undertaken for the first time since 1970.

As a result 303 companies have been reclassified and a number of new economic groups, industry sectors and sub-sectors created.

The new system will take effect from January 4, replacing two existing classification methods, the FT-Actuaries and Stock Exchange indices.

Mr Nicholas Fitzpatrick, a partner of Bacon & Woodrow, the actuaries, who chaired the classification committee which drew up the new model, said the system was universally accepted by fund managers and the committee was keen to preserve its authority.

He said it is intended to provide a service to investors by grouping companies together in homogeneous industry sectors and sub-sectors.

Companies were informed of their new classifications by letter yesterday. RTZ, Rank Organisation and Inchcape, three large companies thought to be unhappy about the new sectors to which they have been assigned, each said yesterday they were considering the implications of their moves before commenting.

For the first time, the rules on which classification decisions are made have been published. Companies are placed in sub-sectors on the basis of the derivation of published, audited profits. The rules say "no changes in industry classification will be made on the basis of promises of action or assertions by directors".

All 2,375 listed and USM-quoted companies have been pigeonholed.

Editorial comment, Page 19; Companies affected, Page 27; New classifications, Back Page

Matra lifted by Taiwan ruling

MATRA-Hachette, the French defence electronics and media group, yesterday announced that its 1993 results should benefit from the successful conclusion of a Taiwan legal case over damages for the delay in construction of the Taipei metro, writes Alice Rawsthorn in Paris.

Mr Jean-Luc Lagardère, chairman, had previously predicted "significantly higher" net profits for Matra-Hachette in 1993 over 1992, when it made FFr354m ($61m).

Yesterday the group said the Taipei department of transport was obliged to pay damages of $37m.

Laidlaw's ADT stake in question

By Bernard Simon in Toronto

THE ABRUPT departure of the chief executive of Laidlaw, the North American waste services and school bus operator, has raised a question mark over the Ontario-based company's stake in ADT, the international security services and vehicle auction group.

Laidlaw is the biggest single shareholder in ADT, with a stake of 24 per cent. Analysts predicted yesterday that the ADT investment will be an early candidate for disposal as part of the shake-up which is expected to follow the installation of a new CEO.

Mr Donald Jackson, 49, who has been chief executive for almost four years, will submit his resignation at a board meeting on October 13.

His departure follows what the company described as "differences of opinion concerning Laidlaw's strategic direction". A spokesman declined to give further details, beyond saying that Mr Jackson has returned to his native province of Alberta for a few days.

A successor will be named after next week's meeting, indicating that someone has already been chosen. Laidlaw is 47 per cent owned by Canadian Pacific, the Montreal-based transport and resources conglomerate.

News of Mr Jackson's departure was generally welcomed in the investment community. "I don't think anyone is going to be disappointed that he's leaving," one New York analyst said. "He always managed around the edges without cutting into anything." Laidlaw's share price edged up 13 cents to C$8.13 in early trading on the Toronto stock exchange yesterday.

Mr Jackson earlier this year described Laidlaw's stake in ADT, which was acquired under his predecessor Mr Michael DeGroote, as a "portfolio investment".

ADT's businesses are completely different to Laidlaw's, which has reinforced speculation that the Canadian company would be willing to part with its ADT shares.

The new CEO is also expected to review Laidlaw's relations with Attwoods, the UK-based solid waste handler in which it has a 35 per cent interest. It is uncertain however, whether the review will result in the sale of the Attwoods stake or closer links between the two companies. Laidlaw is the third biggest solid waste and recycling operator in the US, while Attwoods ranks fourth.

Laidlaw was one of Canada's fastest-growing companies in the 1980s, but has suffered in recent years from the slump in the North American waste management business and the legacy of its earlier rapid expansion. It suffered a US$33.6m loss in the three months to May 31, including a $120m write-down on its solid waste business.

Fourth-quarter earnings are due to be published after next week's board meeting. One analyst predicted that the company will do little better than break even.

ITT to build resort complex in Las Vegas

By Martin Dickson

ITT, the conglomerate which owns the Sheraton hotel chain, said that it planned to build a $1bn, 5,000-room resort complex in the Nevada gambling city of Las Vegas on land being bought from Mr Kerk Kerkorian, the billionaire investor.

The resort, to be built in phases over a decade, would be on a 35-acre site next to the Desert Inn.

Sheraton bought the site for around $160m from Mr Kerkorian last June.

ITT has been making a push into the booming US gambling industry. At the time of the Desert Inn deal, Mr Rand Araskog, the group's chairman, said that the group wanted to build a "tremendous showplace" in Las Vegas to rival the city's biggest and most profitable resorts.

Mr Araskog said that the company was undaunted by the fact that several competitors were gearing up to open new theme resorts in the desert city.

The 5,000 rooms envisaged for the ITT resort would match the number at a $1bn hotel-casino being built in Las Vegas by MGM Grand, which has claimed that this will be the world's largest hotel.

Liberty Media shares surge

By Martin Dickson

SHARES in Liberty Media, a cable television programming company, rose strongly yesterday amid Wall Street speculation that its former parent, Tele-Communications Inc, was in discussions to buy back the business.

Such a move could have important repercussions on the takeover battle for Paramount Communications, since QVC Network, the television home shopping company making a hostile $9.5bn bid for Paramount, is 22.5 per cent owned by Liberty.

The re-acquisition would thus thrust TCI, a large and well financed company, much more directly into the battle for Paramount, and could give additional muscle to the bid by QVC, which is substantially smaller than Paramount.

The QVC bid is contending against a smaller, $7.5bn agreed bid for Paramount from Viacom, the cable television company best known for its MTV pop music channel.

No comment was immediately available from TCI on the rumours surrounding Liberty, though the speculation could be useful to the two companies in testing Wall Street attitudes to such a deal.

The role of TCI in the Paramount bid is already a matter of some controversy. Viacom has launched a legal suit seeking to block the QVC bid, alleging it is the latest in a series of efforts to monopolise the cable industry by Mr John Malone, who is president of TCI and also heads Liberty.

TCI says the suit is frivolous but Viacom has also been suggesting the QVC offer could face problems in Washington with anti-trust regulators.

TCI spun off Liberty in 1991, in part to deflect political criticism that TCI was too powerful.

At lunchtime in New York, shares in Liberty stood $1¼ higher at $28¾, on top of a rise of almost 6 per cent on Wednesday.

Corning issues earnings warning

By Martin Dickson

CORNING, the US glass and high technology group, warned that its third-quarter results were falling short of expectations and earnings before special charges could be 10 per cent lower than last year's 53 cents a share.

The company intended to expand upon its previously announced restructuring charges to cover the cost of reducing assets and overhead expenses. The charge would total some $130m.

Mr James Houghton, the chairman, also said: "Earnings before unusual items for the full year are currently not expected to reach last year's level of $1.66 a share.

"The principal shortfall," he added, "has been in the consumer products business and other cyclically sensitive businesses, especially in Europe."

In addition, the group's Med-Path healthcare related business had seen a slowdown in its rate of growth in recent months.

However, the group was enjoying a continuing strong performance in the optical fibre business and improved operating earnings in information display, science products and pharmaceutical services. Earnings from equity interests were also expected to improve over last year.

He added that the group was aggressively responding by getting its cost structure better aligned with current business conditions.

Corning expects to release its results on October 19.

Weather helps sales of top US retailers

By Karen Zagor in New York

COOLER weather in September drove US customers into stores and helped lift same-store sales for many of the bigger US groups.

Sears, Roebuck, the Chicago-based department store group, maintained its position as one of the best performers by posting a 10.3 per cent improvement in comparable store sales in the five weeks to October 2.

Wal-Mart, the nation's top-selling retailer, notched up a 9 per cent rise in same-store sales for the month of September. Same-store sales for its Sam's Clubs, however, fell 4 per cent. In August, when comparable club sales dropped 7 per cent, the company blamed "cannibalisation in many of the Sam's markets," as well as disinflation in key merchandise categories for the erosion.

Kmart, the discount store and specialty retailer, recorded a 7.2 per cent rise in its domestic general merchandise stores, while overall, same-store sales grew a more modest 3.9 per cent.

May Department Stores reported a 7.1 per cent rise in its main department store division on a store-for-store basis.

Woolworth reversed its recent misfortune by posting a 1.4 per cent rise in domestic comparable store sales in September. In August, comparable stores sales fell 2.6 per cent after a 3.3 per cent decline in July.

J.C. Penney attributed the 4.6 per cent improvement it its comparable store sales for September to cool weather in the Northwest and Northeast regions.

In contrast, Federated's chairman and chief executive blamed warm weather early in the month for weak sales of its autumn season women's clothing. Federated's comparable stores sales fell 0.7 per cent in the month. The company added that September sales were measured against an unusual autumn season in 1992 when South Florida sales were bolstered by post-hurricane buying.

'Poor performers' list gives ammunition to institutions

By Martin Dickson in New York

INTERNATIONAL Business Machines, RJR Nabisco and Bethlehem Steel were named yesterday as being among the financially worst performing large US companies in a survey which will provide powerful ammunition to institutional investors involved in America's fast-growing corporate governance movement.

The movement seeks to improve corporate performance, and board responsibility to investors, by pressing for changes in the framework governing the running of companies. One of its main weapons is the shareholder resolution, or "proxy" vote, at a company's annual meeting.

The Council of Institutional Investors, an umbrella organisation for US pension funds, whose members have more than $600bn in assets, yesterday issued a list of 50 companies which it said had been identified by an independent research agency as the poorest performing among America's largest 1,000 companies, according to various investment criteria.

The list has been sent to council members together with a profile of each of the 50 companies' attitudes towards various corporate governance issues, such as executive compensation and the role of non-executive directors.

The information is meant to be used by funds in deciding their attitude towards individual companies on corporate governance issues.

Ms Anne Hansen, deputy director of the council, stressed yesterday that 50 companies did not form a council-approved "hit list".

Some large US institutional investors already have their own computer-generated financial screens which identify poorly performing companies. The council's list is designed to disseminate such information much more widely, among funds which could not afford to gather this data on their own.

Other companies near the bottom of the list include Borden, the foods group, the New York Times publishing company and Black & Decker, the tools business. The list was released at the council's semi-annual meeting of members.

The list is an example of the increasing sophistication of the corporate governance movement in targetting poorly performing companies.

Institutions have also been given more power to launch concerted action against problem companies by the Securities and Exchange Commission, which a year ago changed its rules to allow easier communication among investors.

However, in a change of tactics over the past year or two, shareholder activists have been seeking more to negotiate change with companies in private, before attacking them head-on with proxy contests.

A further demonstration of growing investor sophistication came this week with the release by TIAA-CREF, the US teacher's fund which is the world's largest pension system, of a comprehensive set of corporate governance principles.

The fund believes this may be the first all-inclusive document of its kind in the investment industry and it has sent copies to all 1,500 companies in which it holds stocks.

An unusual feature of the document is its belief that a board should be composed of people "who reflect diversity of experience, gender, race and age".

Abbott Laboratories 15% ahead

By Richard Waters in New York

ABBOTT Laboratories, the US drugs and healthcare group, met market expectations in the third quarter with a 15 per cent growth in earnings per share to 38 cents, from 33 cents a year ago.

Sales advanced by 4.7 per cent to just over $2bn in the quarter, with sales of drugs and nutritional products showing the strongest growth. International sales, held back by the strong US dollar, grew by less than 1 per cent, to $769m.

Future sales are likely to be boosted by Food and Drug Administration approval at the end of September for one of Abbott's leading drugs, Hytrin, to be used in the treatment of a prostate gland condition. Analysts predict this could eventually double sales of the drug, which reached $250m in 1992.

R&D spending rose to $225m in the third quarter, or 11 per cent of sales, from $191m a year before. Net income in the period, at $316m, was up from $278m in the 1992 period, while nine-month after-tax earnings rose 13 per cent to $1.01bn.

Meeker quits as MGM president

By Karen Zagor

METRO-GOLDWYN-MAYER, the Hollywood film studio owned by the French bank Crédit Lyonnais, announced the resignation of Mr Charles Meeker, president.

Mr Meeker's departure is the latest in a string of executive changes as the French bank tries to resuscitate the studio before selling it. In July, the bank ousted Mr Alan Ladd Jr, who had run MGM for more than two years, and brought in Mr Frank Mancuso, former chairman of Paramount Pictures, to take his place.

Crédit Lyonnais took control of MGM and United Artists, its companion studio, in 1992 after foreclosing on loans it made to Mr Giancarlo Parretti, an Italian entrepreneur who bought the company in 1990 for $1.3bn. The bank is trying to make MGM more attractive to buyers before 1997, when it must sell the studio.

In August, Mr John Calley, a Warner Brothers executive in the 1970s, was named head of United Artists Pictures, a studio which had been inactive for years.

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

½ hour period ending	Provisional Price for Trading on [illegible]: Pool purchase price £/MWh	Final Prices for Trading on [illegible]: Pool purchase price £/MWh	Pool selling price £/MWh
0030	18.05	18.11	18.11
0100	18.05	18.11	18.11
0130	18.05	18.11	18.11
0200	20.04	18.11	18.11
0230	21.61	18.11	18.11
0300	21.61	18.11	18.11
0330	19.12	18.11	18.11
0400	19.07	18.11	18.11
0430	18.05	18.11	18.11
0500	18.05	18.11	18.11
0530	18.05	18.10	18.10
0600	18.05	18.10	18.10
0630	18.05	18.11	18.11
0700	23.79	20.74	20.36
0730	26.20	23.67	20.29
0800	26.24	26.11	28.75
0830	26.86	28.14	30.85
0900	26.86	28.69	31.45
0930	24.37	28.94	31.76
1000	24.35	29.16	32.04
1030	26.86	29.32	32.24
1100	26.86	30.90	33.87
1130	26.86	32.33	35.57
1200	26.86	32.63	35.88
1230	26.87	32.30	35.27
1300	26.84	31.69	34.53
1330	26.21	27.30	30.08
1400	25.25	26.12	28.77
1430	25.25	25.47	28.10
1500	25.25	25.45	28.08
1530	25.25	25.23	27.85
1600	25.25	25.23	27.85
1630	25.25	25.45	28.07
1700	26.65	31.02	33.65
1730	26.66	31.02	33.64
1800	26.66	31.01	33.63
1830	26.66	26.43	29.06
1900	42.04	24.59	27.21
1930	42.04	24.59	27.21
2000	40.76	31.27	33.89
2030	26.84	42.00	44.62
2100	26.84	42.00	44.62
2130	24.91	31.27	33.89
2200	24.31	24.59	27.21
2230	21.64	23.79	26.40
2300	20.79	23.41	26.03
2330	20.79	20.61	23.23
2400	18.12	20.61	23.23

Prices are determined for every half-hour in each [illegible]

Fall in markka helps Outokumpu back to the black

By Hugh Carnegy in Stockholm

THIS year's steep fall in the markka helped Outokumpu, the Finnish state-owned mining and metals group, to a FM133m ($23m) profit before extraordinary items in the first eight months of the year, a sharp turnround from a loss of FM62m in the same period last year.

But Mr Jyrki Juusela, chief executive, warned that metals markets were in worse shape than had been predicted earlier in the year. "In this market situation, a continued positive development of the result depends on the impact of measures taken to enhance efficiency and on improved competitiveness due to exchange rate movements," he said.

Group sales, at FM10.5bn, were ahead 29 per cent compared with last year's FM8.15bn. Operating profits grew even more strongly, rising to FM706m from FM384m. Profits after extraordinary items were FM391m, against a loss last time of FM62m, due to a FM258m contribution from a debt restructuring in Spain.

Sales were up in all four main divisions – base metals, copper, stainless steel and technology products. But the growth in base metals sales from FM2.3bn to FM3.07bn was inflated by the inclusion of OM Group of the US, now 96 per cent owned by Outokumpu, but which it intends to sell.

Outokumpu, 57.5 per cent owned by the Finnish government, postponed the planned sale of OM group earlier this year because of poor market conditions. But it said it now intended to complete the sale, by public offering to US investors, by the end of this year. The sale is expected to raise up to $170m.

Despite low prices, particularly for nickel and zinc, and losses in both base metals and copper divisions, Outokumpu said it had begun work on a FM1.8bn programme to modernise and expand its copper smelter and nickel production line at Harjavalta in Finland.

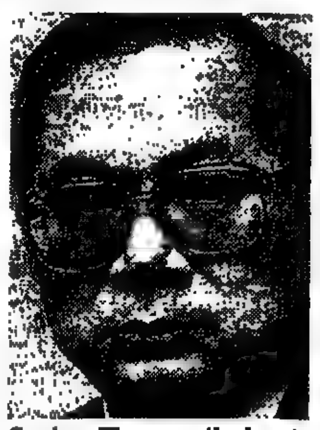
Hopewell to lift dividend after 25% advance in net

By Simon Davies in Hong Kong

HOPEWELL Holdings, the Hong Kong property and infrastructure group controlled by Mr Gordon Wu, yesterday announced a 25 per cent increase in net profit to HK$2.03bn (US$172.5m) for the year ended June, up from HK$1.62bn previously.

The growth in profits came primarily from the sale of investment properties, which contributed HK$2.1bn to operating profit compared with HK$516m last time.

Hopewell plans to increase its dividend to 34 cents a share from 30 cents.


Gordon Wu: growth due to investment property sales

The group has been selling properties to fund its push into China and south-east Asia. Phase one of its Guangzhou-Shenzhen superhighway is due to open at the end of the year. The company plans to develop properties on sites adjacent to the road, and construct a second stretch from Guangzhou to the Macao border.

Hopewell plans to float off its power interests as a separately listed company.

Swedish forestry groups plan to merge

By Christopher Brown-Humes in Stockholm

ASSI and Domän, two state-owned Swedish forestry groups, yesterday announced plans to form Sweden's fourth largest pulp and paper company through a merger.

The government said it favoured the move in principle, noting that the combined group would be stronger and easier to privatise, but has taken no final decision.

It would be one of three state-owned groups, alongside the power group Vattenfall and the pharmaceutical company Procordia, which could be sold off next year.

Assi and Doman have combined sales of nearly SKr13bn ($1.6bn) and employ 11,000 staff, 4,000 of them outside Sweden. The aim is to effect a fusion from the start of next year, 52 years after the companies were split apart and after 30 years of on-off merger talks.

The two companies have no overlapping activities, and together would form a financially strong group with an equity-assets ratio of some 80 per cent.

Doman is Sweden's biggest forestry owner, with 3.4m hectares of land, and its biggest sawmill owner, with a capacity of 800,000 cu metres a year.

Assi, which acquires 35 per cent of its wood from Doman, is predominantly a packaging group, producing 1m tons of packaging paper and board a year, and 640,000 tons of corrugated board and boxes.

It has operations in eight European countries, excluding Sweden.

Assi and Doman said they might eventually be interested in bidding for NCB, another forestry group which is majority-owned by the state, but they stressed there were no ongoing talks.

● Forvaltnings AB Ratos, the investment group, has sold its shareholding in AB Industrivarden for a total of SKr840m. The stake, about 10 per cent of Industrivarden's capital, was bought by a number of Swedish and foreign investors.

Caribbean groups look north for investors

Jamaica and Trinidad and Tobago can now trade in ADRs, reports Canute James

THE progressive deregulation of the economies and the financial markets in Trinidad and Tobago and Jamaica has triggered a second wave of corporate forays into foreign territory.

The state-run Trinidad and Tobago Unit Trust has been granted permission by the US Securities and Exchange Commission to seek investments through US dollar-denominated portfolios. And the SEC has given the go-ahead for Jamaica's privately owned Ciboney hotels group to trade its shares through American depositary receipts on the US over-the-counter market.

Local bankers and stockbrokers say these forays into the US market would not have been possible had not barriers to the movement of money been dismantled and currencies floated, giving business the room and confidence to successfully operate.

The SEC's green light for the Trinidad and Tobago Unit Trust will allow international investors to buy into the government-sponsored Chaconia income and growth fund. The 60,000 existing unit holders will benefit from a wider investment brief. The minimum initial investment is US$1,000 with subsequent investments a minimum of $250.

"This will allow local and US investors to place in their investment portfolio a US dollar-denominated security sponsored by a Trinidad and Tobago entity, but operating under the strict surveillance and supervision of the US regulatory system," according to Mr Henry Sealey, executive director of the United Trust.

The fund will have to conform to the operational, disclosure, reporting and prudential requirements of US regulations which govern mutual funds in the US. "These requirements should make the prospective investors feel comfortable and secure," Mr Sealey said.

The fund will invest in US government securities, investment grade corporate bonds, investment grade foreign government bonds, equity securities in US, UK and Trinidadian companies, certificates of deposit and money market funds.

"It is perhaps the giant step towards creating in Trinidad and Tobago a dynamic and flexible financial institutional network necessary for the establishment of the country as the financial centre of the Caribbean," Mr Sealey said.

Jamaica's Ciboney has jumped into the US over-the-counter market with an issue of depositary receipts that will allow the company's shares to be traded in the US. The receipts will be issued by Citibank.

Ciboney owns 90 per cent of the Ciboney Radisson Hotel and 34 per cent of Sandals Ocho Rios Hotel, two of Jamaica's larger holiday resorts. The group turned in after-tax profits of J$77m (US$3.46m) for the nine months ended February 1993, against a profit of J$12m a year earlier.

Mr Ivor Alexander, executive director of Ciboney, said the depositary receipt registration could be upgraded to a full listing on a US stock exchange. And he said that was a move that the company would eventually consider.

"Although trading will take place on the over-the-counter market, Ciboney can apply, in due course, for listing on a US stock exchange, and the depositary receipt registration is a natural step in this direction," he said.

Mr Alexander said Ciboney, which is listed on the Jamaican stock exchange, had 13,000 shareholders, and the "broad-based public ownership" was conducive to "vibrant" trading of depositary receipts.

According to Citibank, trading in depositary receipts in the US in 1991 was valued at US$91.1bn, representing 4 per cent of the value of trading on the New York Stock Exchange, Amex and Nasdaq.

Battle for Australian dairy group hots up

By Nikki Tait in Sydney

THE BATTLE for control of Associated Dairies, the Victoria-based dairy products company, intensfied yesterday, with Queensland's QUF Industries saying it was prepared to improve its offer to A$2.97 a share. It had previously offered A$2.95, valuing its target at A$72m (US$46.4m)

QUF said its move followed advice that Australian Co-Operative Foods, a rival suitor, was increasing its bid to A$2.96 from A$2.85. QUF also said it had held further talks with the Trade Practices Commission, and expects a favourable recommendation next week.

The takeover battle follows a spate of consolidations in Australia's dairy industry. Estimates suggest QUF will control about 24.5 per cent of the dairy market nationally if it gains control of Associated Dairies, against 27 per cent for National Foods which recently won control of United Dairies. Australian Co-operative has a 22 per cent market share.

● Applications for shares in Austoft Holdings, the sugar cane manufacturer being floated on the Australian stock market by its UK-based parent, BM Group, have closed early, the issue being oversubscribed.

BM Group, the engineering company engaged in a programme of disposals and debt reduction measures, announced plans to float off Austoft at the start of September. Lists for the 39.7m Austoft shares on offer opened three weeks ago, and were due to close on October 15. Austoft shares are being sold at A$1 each, raising almost A$40m.

● George Weston Foods, the bakeries and biscuits company which is part of the Associated British Foods group, yesterday reported an after-tax proft of A$52.4m for the year ended July, compared with a A$49.7m surplus last time. Sales rose from A$969.5m to A$1.026bn.

Weston said that the bread industry had remained very competitive in the second half of the year, but that profits in this division, as in the cakes and biscuits, had been helped by new products.

DKB debt downgraded by S&P

By Emiko Terazono in Tokyo

STANDARD & POOR'S, the US credit rating agency, has downgraded the debt ratings of Dai-Ichi Kangyo Bank, a leading Japanese commercial bank.

The move is the most recent in a line of credit downgrades for the big Japanese banks. They face increasing bad loans due as the prolonged recession pushes up the number of bankruptcies.

DKB's senior debt rating has been lowered to "single A plus" from "double A minus" and the rating agency has lowered DKB's short-term debt rating to A-1 from A-1 plus.

S&P said increasing problem assets at the bank were hurting its asset quality.

At the end of March, loans to bankrupt borrowers and loans six months past their due date totalled Y1,300bn ($12.3bn), or 3.81 per cent of outstanding loans.

While Japanese financial authorities claim that bad loans at commercial banks average around 3 per cent of total lending, industry analysts reckon the figure rises to 10 per cent when measured in US terms.

Better tanker market sparks Bergesen recovery

By Christopher Brown-Humes

BETTER tanker market conditions, a stronger US dollar and gains on share sales helped Bergesen, the Norwegian shipping group, bounce back to profit for the first eight months of 1993.

The group offset heavy foreign exchange losses and a weak performance from its liquefied petroleum gas (LPG) activities to record a pre-tax profit NKr171m ($24.14m). That compares with a NKr32m deficit for the same period in 1992.

Operating revenues rose to NKr1.97bn from NKr1.64bn, with the dollar up 13 per cent against the krone since last year and average daily tanker rates up 20 per cent at $18,000.

Operating profits climbed to NKr195m from NKr61m. The tanker division halved its operating loss but LPG profits were lower. The group does not expect significantly improved rates in any of its market segments in the last four months of the year.

Investment gains enable Orkla to move into profit

By Christopher Brown-Humes

ORKLA, the Norwegian industrial and investment group, rebounded to a NKr907m ($13m) pre-tax profit for the first eight months of 1993 from a NKr161m loss in the same 1992 period.

The group said the result was helped by a better operating performance but the main difference was in the development of financial activities.

Last year it sustained losses of NKr642m on share deals but this year had realised gains of NKr230m. Investment activities contributed NKr202m to the pre-tax result, compared with a NKr722m loss last year.

Operating revenues rose to NKr11.28bn from NKr10.99bn, while operating profits increased by 12 per cent to NKr852m from NKr759m.

Branded consumer goods lifted operating profits by 5 per cent to NKr659m, despite strong competition and little growth in the Norwegian groceries market.

INTERNATIONAL CAPITAL MARKETS

Barclays Bank in first UK personal loan securitisation

By Antonia Sharpe

BARCLAYS BANK opened up a new sector in the UK's growing asset-backed market yesterday when it raised £280m through an issue of floating-rate notes (FRNs) backed by personal loans.

The widely-expected offering marks the first securitisation of personal loans by a UK bank and follows on the heels of National Westminster's £300m issue of mortgage-backed notes launched last week.

Securitisation is a funding process which allows banks to take loans off their balance sheet, thereby removing the risk of default and freeing up capital.

This is achieved by the banks placing the assets in a special-purpose vehicle which then raises money by selling debt securities to investors. Interest payments on the "mortgage-backed" or "asset-backed" securities are funded by the loan repayments.

The securitisation of personal loans has been widespread in the US but is just catching on in the UK. Syndicate managers could only remember one such securitisation prior to Barclays' offering, an issue of FRNs made by Cardiff Auto backed by car loans.

Syndicate managers said many banks and companies, especially those which have leasing or hire-purchase activities, were keen to securitise the loans they had made to individual or business customers.

"Most are looking to securitise high-volume, low-value loans," said one syndicate manager.

INTERNATIONAL BONDS

Barclay's notes, which have an average life of 1¼ years, were issued through Gracechurch Personal Loan Finance.

The portfolio backing the two-tranche offering consisted of unsecured loans of not more than £7,000 to Barclays' credit card customers, around 95 per cent of whom are of at least three years' standing and have not been in default for more than 30 days.

The lion's share of the offering was made up by a £250m tranche of class A notes which paid 22 basis points over the London interbank offered rate (Libor). The pricing was seen to be on the tight side and the whole issue had not been placed by the end of trading yesterday.

Lead manager BZW said that the notes were targeted at corporate investors rather than banks because of their 100 per cent capital adequacy risk weighting. By contrast, NatWest's mortgage-backed notes, which yielded 20 basis points over Libor at launch, were only 50 per cent weighted.

The remainder of Barclays' deal was made up by class B or subordinated notes, launched by UBS, which were priced to yield 85 basis points over Libor. The higher yield reflected the higher risk associated with these notes.

Bank of Scotland also tapped the Eurosterling sector with a £200m undated issue of subordinated notes. They were priced to yield 130 basis points over the 8 per cent UK government bond due 2013, in line with secondary market levels for similar paper.

Joint lead manager Hoare Govett said the bulk of the issue had been placed with pension funds and insurance companies. The bonds were re-offered at the 99.204 issue price and were trading inside fees at 98.95 in the late afternoon.

Fisons, the UK pharmaceuticals company, is thought to be looking to raise £100m through an issue of 10-year Eurobonds at a spread of around 100 basis points over UK government bonds. Turkey is also likely to raise 10-year paper in the Eurosterling sector next week at a spread of 200 basis points.

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NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees %	Spread bp	Book runner
US DOLLARS							
Bayerische Landesbank	500	4.75	99.42R	Nov.1998	0.25R	+15 (4¾%-98)	UBS
DINE	75	8.125#	99.95R	Oct.1998	0.875R	+345(4¾%-98)	JP Morgan Securities
D-MARKS							
Province of Quebec	500	6.375	99.325R	Nov.2003	0.325R	+48 (6¼%-03)	Westdeutsche Landesbank
STERLING							
Gracechurch PLF (No.1)(a,b)‡	250	(b)	99.975R	Dec.1998	0.10R	-	Barclays de Zoete Wedd
Gracechurch PLF (No.1)(a,c)‡	30	(c)	100	Dec.1998	0.25	-	UBS
Bank of Scotland(d)	200	8.625	99.204R	undated	0.625R	+130 (8%-13)	Hoare Govett/ Salomon
YEN							
Sumitomo Corp.O'seas Cap.Ltd(e)	15bn	2.90	100.16R	Feb.1999	0.15R	-	Mitsubishi Finance Intl.
FRENCH FRANCS							
Crédit Local de France(f)	1bn	5.75	99.941R	Aug.1998	0.25R	+18 (5½%-98)	CNCA
CANADIAN DOLLARS							
KfW International Finance	200	6.00	99.58R	Nov.1997	0.225R	+33 (6¼%-98)	Swiss Bank Corp.
Bayerische Vereinsbank	150	6.00	99.375R	Dec.1997	0.225R	+37 (6¼%-98)	Wood Gundy
ITALIAN LIRE							
Bayerische Hypobank	150bn	8.05	101.755	Nov.1998	1.875	-	BCI/ Euromobiliare
AUSTRALIAN DOLLARS							
Sth.Australian Govt.Fin.Auth.	100	6.50	101.50	Nov.1998	2.00	-	Hambros Bank
DANISH KRONER							
City of Copenhagen	500	6.75	102	Nov.2000	1.875	-	Unibank
SWISS FRANCS							
Tokyo Gas Co.	200	4.50	102.375	Nov.2002	-	-	UBS
UIC(g)	100	4.75	101.75	Nov.2000	-	-	Coutts & Co.

Final terms and non-callable unless stated. The yield spread (over relevant government bond) at launch is supplied by the lead manager. ‡Floating rate note. #Semi-annual coupon. R: fixed re-offer price; fees are shown at the re-offer level. a) 2 tranche asset backed deal. Callable on any interest payment date if the outstanding principal falls below 10% of issued amount. b) Class A notes. Coupon pays 3-month Libor +0.2% until Dec.1998 and +0.5% thereafter. Average life: 1.26 years. c) Class B notes. Coupon pays 3-month Libor +0.85%. Average life: <2 years. d) Callable on 4/11/13 at par and every 5 years thereafter. If not called on any interest payment date coupon will be reset at the higher of the existing coupon or the then prevailing 5-year benchmark gilt +230bp. e) Short 1st coupon. f) Fungible with the outstanding FFr500m. Plus 61 days accrued interest. g) Puttable at option of Coutts if major shareholder's stake falls below 51%.

US/German legal gap bridged by World Bank offer

By Antonia Sharpe

THE WORLD BANK's forthcoming D-Mark global offering represents a triumph over the seemingly irreconcilable legal and fiscal differences between Germany and the US.

The main difference between the two is that in Germany, securities are issued in bearer form, whereas in the US they are issued in registered form.

Mr Kenneth Lay, director of financial operations at the World Bank, said that it was important to find a way to bridge these two legal traditions so that the bonds could trade freely in US but also be eligible to act as collateral for loans by the Bundesbank, Germany's central bank.

The World Bank found a startlingly simple solution but one which took more than a year to gain approval by the US and German authorities.

This is how the structure works. The bonds will be represented by two permanent global certificates which will not be exchangeable for individual bond certificates.

One certificate, to be held by the Deutsche Kassenverein (DKV), the Frankfurt-based clearing and settlement agency for German securities, will be issued in bearer form. This certificate will represent the bonds held by investors through institutions which are participants in DKV. Bonds held through Euroclear and Cedel will be included in the DKV certificate.

The other certificate, issued in registered form, will be held by the Frankfurt branch of Citibank as custodian for the Depository Trust Company (DTC), the central depository for securities in the US. This certificate will represent the bonds held by investors through institutions that participate in DTC.

When the bonds start trading in the secondary market, any sales will be reflected by respective increases and decreases in the two certificates. Therefore, the bonds represented by the two certificates will equal the total amount of the bonds outstanding at any time.

Mr Lay said that this structure would enable the bonds to trade freely across the world, thus fulfilling one of the main aims of the global bond concept. In addition, transaction costs would be significantly reduced.

The World Bank will raise DM3bn later this month through its first D-Mark global bond offering, which will be jointly lead-managed by Deutsche Bank and Salomon Brothers.

The bonds will have a maturity of five or 10 years and the spread over the yield on underlying German government bonds will be in single digits.

The World Bank intends to make two D-Mark global offerings a year and the next issue is likely to come early next year. "This will allow us to freshen up the coupon and allow investors to trade into the new bonds," Mr Lay said.

The World Bank pioneered this form of capital-raising in 1989. Since then it has issued 13 global bond offerings in dollars and yen with maturities ranging from five to 30 years.

Mr Lay said that a large part of the bank's annual borrowing programme of $10bn to $12bn would be funded through global bond offerings in these three currencies.

Several sovereign and provincial borrowers have also started issuing global bond offerings, culminating with the Republic of Italy's record $5.5bn offering in mid-September.

Mr Lay, who was in London yesterday to market the DM global bond offering to investors, said that the World Bank's global bonds had achieved the high level of liquidity he had hoped for.

The World Bank's dollar global bonds were among the 10 most actively traded bonds in Euroclear some 20 months after their launch and its yen global bonds currently accounted for 70 per cent of the turnover in the yen sector of the international bond market.

The Bank's next aim is to encourage Japanese investors to use its yen global bonds as a tool for increasing their total returns.

Investors lengthen maturities as hopes of rate cuts fade

By Conner Middelmann in London and Patrick Harverson in New York

EUROPE's bond markets caught their breath after the recent rally and prices drifted lower on moderate volume.

However, traders reported little selling of cash bonds – if anything, some investors were picking up paper as it cheapened. A key feature continued to be maturity-lengthening by investors who felt further cuts in European short-term rates are unlikely in the near term.

GOVERNMENT BONDS

International investors' appetite for long-dated debt supported the auctions of 30-year bonds in the Netherlands and France.

■ THE LONG end of the Dutch curve steamed ahead following the government's issue of Fl 2.8bn of the 7.50 per cent 30-year bond at 114.50. When the result was announced, traders who had sold the bonds around 114.20 ahead of the auction scrambled to cover their short positions, pushing the price as high as 114.85. It eased later on profit-taking, closing at 114.40.

The long end of the yield curve flattened substantially, with the 30-year yield ending 51 basis points over 10-year yields, compared with 59 basis points on Wednesday.

■ FRANCE auctioned FFr4.09bn of 8.5 per cent 30-year bonds and FFr9.26bn of 6.75 per cent 10-year bonds, which also met solid international demand, traders said.

But prices drifted lower on widespread disenchantment over the Bank of France's reluctance to cut rates. As expected, it left its 6.75 per cent intervention rate unchanged at yesterday's repo.

■ THE BUNDESBANK also left key rates steady at its latest meeting. German bonds slipped in lacklustre trade and are expected to make little headway before next week's bund issue.

Once that is out of the way, the December bund future is expected to reach for new highs, targeting the key 100.00 level. It ended yesterday at 99.58, down 0.08 points from Wednesday.

■ UK GILTS eased on profit-taking across the curve on disappointment that Chancellor Kenneth Clarke offered no new policy hints in his Conservative party conference speech. "It was very much a speech geared to a party conference audience," said Peter Fellner, gilts strategist with NatWest Markets.

■ US TREASURY prices were little changed in subdued trading for the third day running, as traders and investors stayed on the sidelines awaiting today's employment figures.

By midday the benchmark 30-year government bond was down $\frac{1}{32}$ at 103$\frac{5}{32}$, yielding 6.006 per cent. At the short end, the two-year note was unchanged at 100$\frac{1}{32}$, to yield 3.825 per cent.

Once again the market was on hold ahead of the September employment report, which will give the latest reading on the state of the labour market. The market is looking for an increase in non-farm payrolls of about 150,000.

FT FIXED INTEREST INDICES

	Oct 7	Oct 6	Oct 5	Oct 4	Oct 1	Year ago	High *	Low *
Govt Secs (UK)	102.44	102.54	102.26	102.08	102.04	88.86	102.86	93.28
Fixed Interest	124.11	123.47	123.19	122.84	123.06	108.61	125.20	108.67

Basis 100: Government Securities 15/10/26; Fixed Interest 1928. * for 1993. Government Securities high since compilation: 127.40 (9/1/35), low 49.18 (3/1/75) Fixed Interest high since compilation: 125.20 (1/9/93), low 50.53 (3/1/75)

GILT EDGED ACTIVITY

Indices*	Oct 6	Oct 5	Oct 4	Oct 1	Sep 30
Gilt Edged Bargains	107.1	108.4	90.1	88.2	105.2
5-Day average	98.1	104.3	102.4	106.3	107.0

* SE activity indices rebased 1974

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Change	Yield	Week ago	Month ago
AUSTRALIA		9.500	08/03	119.6327	+0.718	6.74	6.69	6.66
BELGIUM		9.000	03/03	111.6500	-0.350	7.26	7.39	7.24
CANADA *		7.500	12/03	104.5400	+0.340	6.87	7.07	6.70
DENMARK		8.000	05/03	109.8300	-0.070	6.88	6.85	6.86
FRANCE	BTAN	5.750	11/98	100.7942	-0.044	5.56	5.60	5.65
	OAT	6.750	10/03	106.4500	-0.120	6.01	6.08	6.16
GERMANY		6.500	07/03	103.6050	-0.060	6.00	6.10	6.15
ITALY		10.000	08/03	107.1050	+0.135	9.09†	9.30	9.87
JAPAN	No 119	4.800	06/99	107.7178	+0.101	3.20	3.22	3.57
	No 157	4.500	06/03	104.7771	+0.338	3.83	3.80	4.03
NETHERLANDS		7.000	02/03	107.5500	-0.180	5.92	5.92	6.01
SPAIN		10.900	06/03	112.8300	-0.220	8.90	9.05	9.02
UK GILTS		7.250	03/98	103-21	-4/32	6.30	6.32	6.28
		8.000	06/03	107-26	-10/32	6.87	6.89	6.79
		9.000	10/08	110-18	-12/32	7.18	7.23	7.17
US TREASURY *		5.750	08/03	103-08	-8/32	5.32	5.36	5.26
		6.250	08/23	100-14	-1/32	6.00	6.02	5.92
ECU (French Govt)		8.000	04/03	108.4000	-0.100	6.86	6.87	6.63

London closing, *denotes New York morning session. Yields: Local market standard. † Gross annual yield (including withholding tax at 12.5 per cent payable by non-residents.) Prices: US, UK in 32nds, others in decimal. Technical Data/ATLAS Price Sources

MARKET STATISTICS

FT/ISMA INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 8:35 pm on October 7

[illegible]

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	7	89	14
Other Fixed Interest	9	3	3
Commercial, Industrial	273	268	860
Financial & Property	130	155	525
Oil & Gas	11	19	46
Plantations	0	0	8
Mines	59	10	67
Others	37	53	40
Totals	526	595	1,599

LONDON RECENT ISSUES

EQUITIES

[illegible]

FIXED INTEREST STOCKS

[illegible]

RIGHTS OFFERS

Issue Price p	Amount Paid up	Latest Renunc. Date	1993 High	1993 Low	Stock	Closing Price p	+or-
140	[illegible]	22/10	34pm	32pm	Allied	32pm	-2
120	[illegible]	4/11	10pm	6pm	Appleyard	10pm	
35	[illegible]	-	1pm	½pm	Britannia	¾pm	
150	[illegible]	15/11	11pm	8pm	Friendly Hotels	9pm	
150	[illegible]	3/11	23pm	16pm	JIB	23pm	
250	[illegible]	3/11	74pm	49pm	MB Caradon	74pm	+7
150	[illegible]	10/11	20pm	13pm	Perry Group	13pm	-1
8	[illegible]	28/10	4pm	3pm	Phoenix Timber	3½pm	
120	[illegible]	3/11	22½pm	17½pm	Tarmac	18½pm	-3
72	[illegible]	13/10	7pm	5pm	Water City of London	6pm	
2½	[illegible]	25/10	¾pm	½pm	Wiggins	¾pm	

pm Price at a premium. For other rights please refer to the Guide to the London Share Service.

TRADITIONAL OPTIONS

- First Dealings Sept. 27
- Last Dealings Oct. 8
- Last Declarations Dec. 30
- For settlement Jan. 10

3-month call rate indications are shown in Saturday editions.

Calls: Alliance Res., Division Grp., PSIT, Premier Cons., Time Products. Puts: Aminex, Amstrad, Automated Sec., T & N. Put & Call: Automated Sec., Bellwinch, BTpp, UK Safety.

FT-SE ACTUARIES INDICES

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LIFFE EQUITY OPTIONS

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FT-ACTUARIES FIXED INTEREST INDICES

[illegible]

Advance to £49.7m helped by full-year contribution from Macarthy

Lloyds Chemists ahead 40%

By Peggy Hollinger

ACQUISITIONS helped boost annual profits and sales at Lloyds Chemists, the acquisitive retailer and healthcare wholesaler which yesterday reported a 40 per cent increase in the pre-tax result to £49.7m.

The shares closed 15p up at 284p.

Sales were 58 per cent higher at £802m for the year to June 30. This was mainly because of the inclusion for the first full year of Macarthy, the drugs wholesaler acquired in March 1992 for £92.5m, and other pharmaceutical and veterinary drugs supply companies.

Mr Allen Lloyd, chairman, said the year had been "very successful", with progress in all divisions. He stressed the organic growth achieved by Lloyds, particularly in the wholesale distribution division. The profits increase had been achieved, he said, after a £6.3m government clawback on the discounts given on generic drugs, and amid the "most difficult trading conditions in the company's history".

While optimistic about growth in the current year, Mr Lloyd stressed that the group would move ahead at a slower rate. Like-for-like sales in the first 13 weeks were 6 per cent up in the chemists division, 3 per cent ahead in drugstores, and flat in the healthcare chain Holland and Barrett.

Barclay Pharmaceuticals increased turnover by 49 per cent to £503m and overall, the pharmaceutical division increased sales by 63 per cent to £583m. Pre-tax profits were £8.4m higher at £11.4m.

The retail division, which includes the core chemists chain, the Holland & Barrett shops and Supersaver drug stores, showed a 14.5 per cent profit rise to £44.9m. Sales were up 33.5 per cent at £569m.

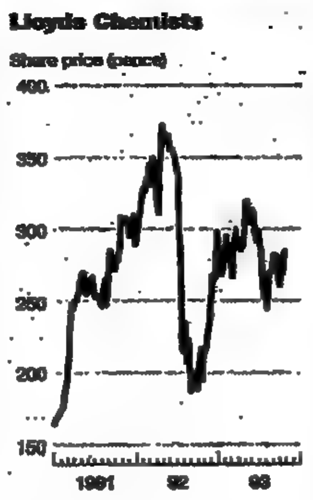
Veterinary sales rose by £41.7m to £49.2m and profits from £364,000 to £2.1m.

The interim dividend was increased from 4p to 5.25p for a total of 7.25p (5.55p). Fully diluted earnings per share rose by 13 per cent to 26.84p.

Allen Lloyd (left) with Peter Lloyd, chief executive and Dick Steele, finance director

● COMMENT

Focus on the short term and Lloyds looks like a winner. There is more margin improvement to come from acquisitions and the wholesale division is growing impressively. Further out, however, one has to question the potential for Lloyds' core chemists business, with little prospect of price improvements, and a significant number of mature stores. Government restrictions will cramp outlet expansion and the group seems to have snapped up most of the attractive chains. Lloyds will also have to watch out for the inevitable counter-attack in wholesaling from giants AAH and UniChem. Forecasts are for pre-tax profits of £56m, leaving a prospective p/e of 9.6 times. While there is likely to be room for improvement in the short term, the attraction may fade in the longer term.



Ferranti warns of higher losses

By Paul Taylor

FIRST-HALF losses at Ferranti International, the struggling electronics group, are likely to be higher than in the corresponding period last year, Mr Eugene Anderson, chairman, warned yesterday.

Mr Anderson told shareholders attending an extraordinary meeting, called under Companies Act requirements because its net assets had fallen to less than half its £96.8m share capital, that it was too soon to report on the performance for the half year to September 30.

However, he added, "we will incur another loss during the period which will almost certainly be larger than the comparable loss last year".

In the 1992 period Ferranti, which came close to collapse following the 1989 discovery of huge fraud in International Signal and Control, its US subsidiary, managed to reduce its interim pre-tax losses to £10.9m.

Mr Anderson, who was brought in to try and turn Ferranti around following the ISC fraud, told shareholders that despite the technical requirement to call the meeting, the board recommended that no action should be taken to implement a reduction in capital at this time.

Instead, he said the company would continue to focus on its priorities of strengthening the balance sheet by equity injection or through strategic partnership while seeking to win new orders.

"Liquidity continues to be painfully tight, making supplier relationships more difficult", Mr Anderson said. He added that "to alleviate this problem we have continued to seek an equity injection or a strategic partnership".

Although the chairman said the group had continued to be successful in winning new orders and ended August with an order book of £178m and outstanding bids for £740m of new business, he said the group was still waiting for confirmation of several large orders.

The shareholders, who met in London, overwhelmingly supported the proposal, although some were critical of the management's performance.

Rowland pressure forces delay to Lonrho plans

By Robert Peston and Roland Rudd

THE APPOINTMENT of Lonrho's first non-executive directors for 20 years was yesterday postponed for 12 days, as a result of pressure from Mr Tiny Rowland, the international trading company's joint chief executive.

Mr Dieter Bock, the other joint chief executive who at the beginning of the year acquired an 18.8 per cent stake in the company, had been hoping that yesterday's board meeting would approve the appointment as non-executive directors of Mr Steven Walls, chairman of Albert Fisher, the food group, and Mr Peter Harper, a director of Hanson.

Mr Bock had recruited them as part of his campaign to transform Lonrho into a more open and conventional company, in the hope that this would rebuild the confidence of institutional investors in its shares.

However, the meeting refused to ratify the appointments. One of Mr Bock's advisers said that Mr Rowland had insisted that all the executive directors should meet Mr Walls and Mr Harper before the decision is taken.

"He [Mr Bock] was shocked", the adviser said. "But the outcome should not be seen as victory for Tiny. It was a draw".

Mr Rowland has been opposed to non-executive appointments since the "straight eight" directors tried unsuccessfully to remove him in 1973. Lonrho's current board consists of 12 executives.

Lonrho put out a terse one sentence statement after the meeting, which lasted all morning, saying that "the board resolved to announce the appointment of two non-executive independent directors by October 19".

Though the statement does not name either Mr Walls or Mr Harper, Mr Bock remains confident they will be appointed. He is planning to push through other radical changes in the coming months, including a reduction in the number of executives on the board, the appointment of one or two further non-executives and a cut in head office staff.

Mr Rowland is expected to resist some of these changes.

Burn Stewart drops to £8.12m

By Catherine Milton

SHARES IN Burn Stewart Distillers fell a further 3p to close at 108p yesterday, continuing a steady decline since peaking at 160p in May last year, as the company announced pre-tax profits down from £10.3m to £8.12m in the 12 months to June 30.

The company, which floated its shares at 140p in 1991, showed sales down to £38m (£42m).

Mr Campbell Stirrat, finance director, said Burn Stewart was changing its mix of business away from the quasi-commodity bulk sales and attempting to replace these with higher margin sales of cased bottles, some branded and some "own label".

Mr Stirrat added that "there was a bit of a decline in our export bulk shipments with the balance being pressure on the cased business". He said trading would continue to be tough next year.

Bulk exports had fallen 23 per cent with average prices falling 34 per cent. Cased sales rose 21 per cent and average prices fell 7 per cent.

Operating profits fell to £9.66m (£12.5m).

Interest charges fell from £2.13m to £1.54m reflecting the funds raised from the flotation which hit the balance sheet part way through the comparative period.

Gearing now stood at 72 per cent (36 per cent) a slight increase since the year end when it was 70 per cent.

There was a cash outflow from operating activities of £4.8m, compared with an inflow of £3.71m last time, as Burn Stewart increased stocks to £50.5m (£41.8m).

On an annualised basis the total dividend is virtually maintained with a final of 3.3p (3.33p) to give a total for the year of 5p. Earnings per share fell to 9.53p (13.16p).

Lamont doubles to £4.05m

By Peter Pearse

SHARES IN Lamont Holdings climbed 15p to 384p as the Northern Ireland-based carpets and textiles group announced almost doubled pre-tax profits in the six months to June 30.

On turnover ahead to £65.8m (£52.6m), including £3.18m (£4.25m) from discontinued operations – pre-tax profits jumped to £4.05m (£2.18m). The figure would have been higher but for exceptional charges of £843,000 relating to the disposal of the computer division and an increase in net interest payable to £449,000 (£40,000).

Sir Desmond Lorimer, chairman, said the increased interest charge derived from the assumption of the £7m debt of Rochdale-based Alexander Drew, the furnishing fabric printer acquired for an initial £16.4m in April 1992.

The non-carpet textiles side had operating profits of £5.43m (£1.5m) on turnover of £38.1m (£25.5m). Sir Desmond said that some £2.5m of the profits came from Drew.

In the carpets division, of which Shaw Carpets has been responsible for the group's declining fortunes of late, turnover rose to £23.4m (£21.8m) and operating profits of £81,000 last time turned to losses of £660,000 after £433,000 (£109,000) redundancy costs at Shaw.

Shaw, which Sir Desmond said served the middle market, had lost market share in a disruptive £4m capital expenditure programme. He expected it to return to profitability in 1994. However, at the lower end of the market, Northern Ireland Carpets had lifted sales 16 per cent.

Shifting the property interests into a joint venture – which retained £3m – had improved cashflow by some £6.5m and helped Lamont back to its textiles core, where Sir Desmond said it would look for bolt-on acquisitions.

The interim dividend is held at 3.5p, payable from earnings of 8.48p (5.61p) per share.

Allied Leisure improves

ALLIED LEISURE, the ten pin bowling and night club group, yesterday announced pre-tax profits up from a restated £2.31m to £2.94m for the year ended July 16 1993.

However, the dividend is cut from 4.75p to 3p, with a reduced final of 2p against 3.25p.

At the interim stage a profit fall of 25 per cent to £1.24m was reported.

Of the figures, which were adjusted in accordance with FRS 3, turnover was down from £27.8m to £24.8m, while excluding a figure for wholesaling of £4.1m last year and £700,000 this year, underlying turnover increased by 1.9 per cent.

Earnings per share rose to 5.22p (5.02p).

Mr William Davis, chairman, said that he was confident although trading remained difficult throughout the company.

Bowling activities continued to expand but operating profits were down reflecting pressure on discretionary spending.

Mr Davis said night clubs performed well and profits rose in a difficult market. Some of the rights issue proceeds have been used to reduce short-term debt with the effect that net borrowing has been halved to 25 per cent.

Galliford cuts dividend to 1p

By Catherine Milton

GALLIFORD, the Midlands-based contractor, has cut its total dividend from 4.3p to 1p as part of a plan to expand its housing business which could see its long-cherished net cash position become debt over the next three years.

The company announced this at the same time as revealing pre-tax profits sharply down from £3.03m to £412,000 for the year to June 30 1993.

Mr John Livingston, finance director, said: "In the short term it would be difficult to make adequate net margins on construction so we intend to increase profits by expanding private housing building activities. We believe the housing market will see steady, undramatic, improvement which we want to exploit."

The company would spend up to £4m on land this year and about £2m on development.

Galliford sold 170 (156) housing units in the year to June 30 at an average price of £53,000 (£50,000) and expects to exceed 200 in its current year with a target of 500 in three years time.

Mr Livingston said the company would countenance "modest gearing" as well as drawing cash from future retained profits from other businesses to achieve its target.

Sales were £217.2m (£213.2m). Profits were hit by losses of £512,000 (profits of £393,000) in specialist contracting stemming from National Power's Drax project. These are now subject to claim.

Pre-tax profits in contracting have declined over the last three years, falling to £408,000 (£1.62m) on sales of £127.4m (£128.9m).

A recommended final dividend of 0.5p (3.35p) gives a total of 1p (4.3p), uncovered by earnings of 0.33p (2.37p) per share.

J Bibby plans £75m float-off

By Peggy Hollinger

J BIBBY & Sons, the heavily-indebted conglomerate which is 79 per cent owned by Barlow Rand of South Africa, plans to raise about £75m next year by floating off its paper, agricultural and science businesses.

The move is designed to reduce Bibby's debt, incurred largely as a result of the hostile £82m takeover in July 1992 of Finanzauto, Spain's only Caterpillar distributor.

Since the takeover, the Spanish construction market has declined more sharply than Bibby had expected.

Mr Richard Mansell-Jones, Bibby chairman and a board director of Barlow Rand, said the construction market in 1993 was just 25 per cent the size it was in 1991. "It has hit the wall", he said.

The sharp decline has forced Bibby to incur higher than estimated costs to restructure the lossmaking dealer.

Bibby reported net debt of £155m at the interim stage. Borrowings are expected to be somewhat lower when the group reports in November.

Bibby is aiming to float the three divisions as one company in February under the Bibby name through an offer for sale. The newly-listed group is expected to be floated with some debt.

It will take some directors from the original company, but is likely to have an independent non-executive chairman.

This division accounted for 48 per cent of Bibby's total of £416m sales and about 52 per cent of £15m operating profits in the 26 weeks to March 27.

The original company, containing the Spanish and Portuguese Caterpillar operation and the Hyster materials business, will be renamed Stratford.

Barlow will retain 79 per cent of Stratford and 20 per cent of the new Bibby.

NEWS DIGEST

TJ Hughes lower after poor summer

TJ HUGHES, the USM-quoted multiple discount store group, reported a 19 per cent fall in profits before tax in its unseasonal first half to July 31.

The decline – from £143,000 to £116,000 – came on turnover ahead 9 per cent to £19.5m. Mr Gurth Hoyer Millar, chairman, said that like-for-like sales growth was 2.3 per cent, reflecting poor weather in May, June and July.

Nevertheless, gross margins were maintained despite "aggressive pricing by many national retailers," he added.

Earnings per share emerged at 0.39p (0.16p) reflecting the redemption of the preference capital in May 1992. The interim dividend is maintained at 0.75p.

McLaughlin

McLaughlin & Harvey, the County Antrim-based construction group, said that Mr Eric Bell and Mr Philip Sykes of BDO Binder Hamlyn had been appointed joint administrative receivers. The company's shares were suspended at 28p.

McLaughlin, which incurred losses of £6.8m (£5.4m) in 1992, had earlier said it was in consultation with its principal bankers.

Clarke Nickolls

Clarke, Nickolls & Coombs, the property group, returned to the black in the six months to June 30 with £141,000 pre-tax.

The outcome compared with losses of £218,000 at the same stage of 1992 and £47,000 for the full year.

The pre-tax line was struck after an exceptional provision of £25,000 (£125,000) against properties held for resale.

A charge of £346,000 covering withdrawal from property development activities was taken below the line: it will be taken at the operating level in the full year figures.

Earnings per share emerged at 0.68p (losses of 1.02p).

Abbeycrest

Abbeycrest, the designer and manufacturer of gold and silver jewellery, reported a reduced deficit in its seasonally unfavourable first half.

On turnover ahead to £16.5m (£14.5m), pre-tax losses for the six months to June 30 were £345,000, down from £739,000, struck after net interest charges of £210,000 (£109,000).

Losses per share worked through at 1p (2.1p); the interim dividend is maintained at 1.2p.

Jones Group

For the half year to June 30, Jones Group, the Irish manufacturing, shipping and oil distribution company, turned in pre-tax profits of I£1.18m (£1.12m).

This compared with losses of I£5.29m which included a I£6.5m loss on disposal of subsidiaries.

The results were in accordance with FRS 3 and revealed turnover of I£31.7m. Last time this figure amounted to I£50.6m including I£16.2m from discontinued operations.

Earnings per share were 7.8p (44.4p losses) while the interim dividend is maintained at 4p.

Martin Intl shares dive following interim loss

SHARES OF Martin International Holdings tumbled 38p to 49p yesterday after the garment manufacturer and Marks and Spencer supplier reported a first half loss and a sharply reduced interim dividend, writes Graham Deller.

And Mr Michael Kidd, chairman, warned that following closure costs, estimated at £500,000 in the second half, the group was likely to incur a small loss for the full year.

Results for the six months to June 30, compiled under FRS 3, showed a pre-tax deficit of £270,000, against a restated profit of £142,000. Turnover was little changed at £33.9m, including £1.22m from discontinued operations.

Losses per share deepened to 1.6p (0.2p) and the interim dividend is cut from 1.7p to 0.4p.

Mr Kidd said the outcome "illustrated the general pressure on margins in what remains an extremely competitive trading environment throughout the world".

The UK operations produced a "disappointing" result, he said, although business with Marks and Spencer progressed well and underwear and leisure wear achieved a "good" profit.

Overseas operations were adversely affected by a unexpected reduction in demand from customers in the US and the Middle East, factors that will also affect the second half.

Shares in Campari fall on £3.1m loss

Reflecting the impact of recession, devaluation of sterling and delivery problems with suppliers, Campari International, the designer and marketer of leisure wear, incurred pre-tax losses of £3.1m for the first half of 1993, against profits of £1.03m.

Mr Christopher Cheng, chairman, said that against the background of a hostile trading climate in the majority of the group's markets "we do not anticipate a return to profitability until the second half of 1994 at the earliest".

The shares reacted strongly and closed 49p down at 93p.

There is no interim dividend - last year's was 3.25p - and directors are to delay a decision on any payment until preliminary results next March.

Turnover was £20m (£18.73) but Mr Cheng explained that after eliminating currency translation effects and the impact of sales by new operations in France and Italy on a like-for-like basis it was 6 per cent lower.

Losses per share amounted to 29.01p (7.27p earnings).

Mr Cheng stated that profit margins were squeezed by the continuing impact of recession, particularly in the UK where the group was unable to pass on cost increases arising from the weakness of sterling.

Merivale Moore sees better trend

After a year of advance Mr Grenville Dean, chairman of Merivale Moore, the property company, felt able to give an upbeat message with the results for the year to June 30.

"At the half year I was brave enough to indicate that the company was no longer helplessly bleeding to death. I am pleased therefore to have some good all-round news and progress to report, albeit not yet meriting the ringing of bells."

The shares rose 17p to 55p.

Net assets per share were 76.7p, against 77.3p a year earlier. Net debt was cut from £49.3m to £29.6m, resulting in gearing of 283 per cent.

There was a pre-tax loss of £939,000, after an exceptional credit of £2.36m relating to the settlement of a damages claim less exceptional charges. The comparative loss was £23.6m, restated for FRS 3 and after an exceptional charge of £19m.

Turnover was £24.3m (£30.3m). After a tax credit of £2.71m (£1.14m) earnings per share were 12.9p (losses 164.5p).

Mr Dean thought the company had been able to achieve its initial objective of rebuilding the balance sheet and now expected growth. Merivale had started the present year in better financial health than the last and in a "far more promising business climate".

Renishaw down 21% to £7.14m as foreshadowed

By Richard Gourlay

RENISHAW, the engineering group which makes specialist measuring equipment, reported a 21 per cent drop in pre-tax profits for the year to June 30 as its main markets remained deeply affected by recession.

The profits fall, from £9.09m to £7.14m, foreshadowed in a warning three months ago, left the shares 5p down at 275p.

Earnings per share fell from 13.1p to 10.3p and the recommended final dividend is held at 4p for an unchanged total of 6.5p.

Sales grew 10 per cent to £48m but almost all the increase was due to the effect of currency translation.

The group confirmed that had it sold foreign currency when it received it, rather than hedging forward with sales ahead of the devaluation of sterling in September last year, pre-tax profits would have been £1.3m higher.

Mr David McMurtry, chief executive, said sales in the first quarter of this year were ahead of last year but trading remained difficult.

At the operating level, before net earned interest of £2.2m (£2.4m), profits were down from £6.69m to £4.94m, representing a slide in the operating margin to 10.3 per cent (15.2 per cent).

Malaysian dollar lifts plantations companies

THE strengthening Malaysian dollar against sterling and improved results from other plantation companies were factors in the interim figures of three groups in which Rowe Evans Investments has substantial holdings.

Beradin Holdings reported pre-tax profits up 49 per cent at £248,869 (£167,385) on turnover of £450,624 (£371,215). Earnings per share were 0.9p (0.59p).

The company said that the oil palm crop and the average price was similar to last year but the Malaysian dollar had risen by 19 per cent. The results included net investment income of £24,346 (£378).

Singapore Para Rubber Estates saw pre-tax profits of £215,919, a rise of 79 per cent on the comparable £120,757. Turnover was £361,405 (£278,716). Earnings per share were 1.3p (0.77p). Net investment income was £51,865, against a charge of £48,678.

Lower crops of oil palm and rubber were blamed by Padang Senang Holdings for a fall in pre-tax profits to £39,257 (£57,267) on turnover of £210,940 (£224,847). Earnings per share were 0.36p (0.47p).

However, the fall was mitigated by the currency rise and higher investment income of £30,932 (£6,361).

Three acquisitions bolster full-year profits and turnover

MR-Data expands 6% to £8.8m

By Paul Taylor

ACQUISITIONS helped MR-Data Management, the data transcription and document image processing group, report a 6 per cent increase in annual pre-tax profits yesterday.

The surplus in the year to June 30 increased from £8.23m to £8.76m on turnover up 21 per cent to £40.8m (£33.7m).

Earnings per share were unchanged at 10.6p but the final dividend is increased to 3.46p, making a total up 20 per cent at 5.19p (4.32p).

At the operating level the group, which changed its name from Microfilm Reprographics earlier this year, reported profits of £8.09m (£7.3m), bolstered by £900,000 from three acquisitions which also added £4m to turnover.

The three acquisitions were Atlanta-based Fort Knox Secured Data which provides high security storage for paper and magnetic media and was acquired in July last year; the UK COM Service Bureau of NCR which was acquired in September last year, and Taywood Data Graphics which was acquired from Taylor Woodrow in January.

Mr Michael Elliott, who took over as chief executive in July, said trading conditions had continued to be difficult and that it was only recently that the group had begun to see more promising signs of an upturn in the level of orders.

Mr Elliott said that a new divisional structure had been introduced to provide a more focused approach to business development. He added that all the businesses traded profitably during the year.

Despite the acquisitions and capital expenditure totalling £6.7m the group ended the year with £6.88m in net cash, down from £8.5m a year earlier.

● COMMENT

Despite a relatively lacklustre performance MR-Data's performance is still underpinned by long term contracts which are still highly profitable and should benefit from the recovery in the US and UK. Some of the acquisitions, and developments in the software division, will take the group into new and potentially fast growing businesses like Geographic Information Systems. The management team is a little thin following recent resignations including that of the finance director, although no sinister implications need be drawn and the issue is being addressed. Pre-tax profits of about £10m look possible this year producing earnings of 12.8p and a prospective p/e of 17.

DIVIDENDS ANNOUNCED

		Current payment	Date of payment	Corres - ponding dividend	Total for year	Total last year
Abbeycrest	int	1.2	Nov 11	1.2	-	3.2
Allied Leisure	fin	2†	Dec 15	3.25	3	4.75
Burn Stewart	fin	3.3	Nov 19	3.33	5	3.33
Campari Intl	int	nil	-	3.25	-	12
Etam	int	1.75	Jan 5	1.65	-	6.9
Galliford	fin	0.5	Nov 26	3.35	1	4.3
Higgs & Hill	int	1	Dec 6	1	-	2.5
Hughes (TJ) §	int	0.75	Jan 4	0.75	-	2.3
Jones Group ‡	int	4	Oct 29	4	-	12.5
Lamont	int	3.5	Dec 1	3.5	-	12
Lloyds Chemists	fin	5.25	Dec 3	4	7.25	5.55
Martin Intl	int	0.4	Jan 4	1.7	-	4.4
Merivale Moore	fin	nil	-	nil	nil	1
MR-Data	fin	3.46	Dec 2	2.88	5.19	4.32
Pochin's	fin	21†	Dec 6	21	29	29
Prestwick	fin	nil	-	1	0.5	1.5
Renishaw	fin	4	Nov 22	4	6.5	6.5
TR City London	int	1.23*	Nov 30	1.19	-	4.8

Dividends shown pence per share net except where otherwise stated. †On increased capital. §USM stock. ‡Irish pence. *First interim.

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Higgs & Hill back in black with £525,000

By Catherine Milton

HIGGS & HILL, the construction and property company, returned to the black with pre-tax profits of £525,000 for the six months to June 30, an improvement on full-year losses of £22m but a small decline from the comparative figure of £673,000.

"Last year's losses were very much a function of the provisions we made against both the housing land bank and the property portfolio. I would very much hope that the provisions are behind us," said Mr John Theakston, chief executive.

He said Higgs had done "some particularly good property deals" in the first half of last year. "Clearly it is difficult to buck the trend in some of the markets but I do think we are in a strong position."

Sales fell to £125.5m (£150.1m) with the decline in turnover reflecting "reduced workload in construction".

Mr Theakston said construction margins remained under pressure. "There has been as yet no volume recovery and there is a lot of capacity out there."

Housing sold 196 (128) units and prices were generally stable.

The company received £72,000 in interest compared with charges of £500,000 last time as it reported a cash balance of £7.4m compared with borrowings of £4.7m this time last year.

Higgs has a 50 per cent liability for borrowings of £15m held off-balance sheet in a joint venture.

Net cash from operating activities fell to £2.72m (£15.2m) as the company invested in land and made two small acquisitions. "Our cash position on the balance sheet will fall and we may draw down some borrowings in the course of next year essentially as we re-invest back in the business," Mr Theakston said.

The board declared a maintained dividend of 1p, uncovered by earnings down at 0.7p (1p) per share.

Margins squeezed as Pochin's drops 38%

By Graham Deller

POCHIN'S, the building, plant hire and property group, saw pre-tax profits tumble 38 per cent, from £2.46m to £1.53m, over the 12 months to May 31.

The pressure on margins was underlined by the group's turnover, which, boosted by a large design and build contract, expanded some 42 per cent to £46.6m.

Mr Nicholas Pochin chairman, said: "The long awaited and much heralded recovery is still a figment of the imagination within our industry.

"Capacity far exceeds demand resulting in extreme competitive pressure on prices," he said.

Nevertheless, investment and rental income was described as "healthy". The group had retained all its tenants, Mr Pochin said. "All things considered, I believe that the pint pot is half full rather than half empty," he stated.

The recommended final dividend is held at 21p for a maintained total of 29p, covered nearly 3.5 times by earnings of 100.2p (167.6p) per share.

Tax worries undermine Etam's advance

by Peggy Hollinger

SHARES IN Etam yesterday fell 11p to 258p in spite of doubled interim profits as the women's wear retailer warned that uncertainty over tax increases in the November Budget could affect trading in the second half.

"We are really quite cautious," said Mr Keith Miles, finance director.

"November is the peak trading period for us and we have no idea how the consumer is going to behave with the government making noises about tax increases," he said.

Etam is heavily weighted towards the second half. Last year it made some £10m of its total £11m profit in the second six months.

On a brighter note, Mr Miles said the £1.21m rise in pre-tax profits to £2.41m for the 28 weeks to August 14 reflected steady progress in the restructuring programme begun some three years ago and better margins through tight control of costs.

Pre-tax profits were also helped by the absence of a £461,000 charge for withdrawing from lossmaking shops. Sales were 2 per cent higher at £108.2m.

"Holding to our strategy is beginning to pay dividends," Mr Miles said.

Two years ago management fought a fierce battle to retain control of that strategy by opposing a hostile £121m bid from Oceana, a vehicle for Foschini, the South African fashion retailer.

The group's three divisions enjoyed mixed fortunes. Snob, which targets younger, more fashion conscious women, incurred a small loss. Mr Miles hoped it would be back in the black for the full year after restructuring and management changes.

The core Etam business, which caters for the 20 to 55 year old age range, had shown progress, while Tammy, the children's wear operation, had done "extremely well".

The interim dividend goes up 6 per cent, from 1.65p to 1.75p, payable from earnings ahead from 0.52p to 2p per share.

Bulmer to distribute Amstel

By Paul Taylor

AMSTEL LAGER, one of Europe's top five selling beers, is to be distributed for the first time in the UK next year by HP Bulmer, the cider maker.

Heineken, which owns the Dutch lager, has appointed Bulmer sole UK distributor of Amstel, which will be launched into the take-home sector early next year with an on-trade launch in 1995.

Amstel will be an important addition to Bulmer's expanding portfolio of premium lager brands which already includes San Miguel, Red Stripe and DAB, and further strengthens the cider market leader's position in the beer market.

The new agreement will also help compensate Bulmer for the loss of the Perrier and Buxton mineral water distribution agreement in the UK from March next year.

Bulmer, which retains distribution rights to the fast growing Volvic mineral water brand, lost the Perrier brands distribution agreement to Coca-Cola Schweppes Beverages after Nestle's acquisition of Perrier last year.

Commenting on the Amstel agreement, Mr John Rudgard, Bulmer's chief executive, said, "Amstel is one of Europe's most famous beer brands with a long established heritage.

"Heineken's choice of Bulmers as sole UK distributor and agent is an endorsement of our marketing, sales and distribution skills and further proof of our reputation and track record in the promotion of new brands in the UK market."

Amstel, which is sold in 60 markets worldwide, has been sold in the UK for the past 12 months on a limited basis through a specialist off licence chain and has reportedly achieved high rates of sale.

Prestwick tumbles as operating costs bite

PRESTWICK Holdings, the printed circuit board maker, tumbled £3.97m into the red in the year to July 31. There were profits of £91,000 last time.

In July the company's shares fell 12p to 29p when it warned of the loss. Yesterday the shares shed 3p to close at 27p.

Although turnover improved to £36.1m (£30.4m) operating costs, mainly in the group's smaller businesses, had risen dramatically, Mr Hugh Laughland, chairman, said.

The pre-tax result was after an exceptional £1.5m charge, being reorganisation costs and the loss on disposal of obsolete fixed assets. Net interest payable rose to £652,000 (£456,000).

Mr Laughland said the group had been reorganised into three operating companies, the benefits of which were beginning to show through. The group had returned to profitability in September.

Losses per share amounted to 19.8p (0.5p) and there is no final dividend, leaving the total for the year at 0.5p (1.5p).

Rothmans and Vendome shares excluded from indices

By Maggie Urry

NEW SHARES to be issued by Rothmans and Vendome following the reorganisation of the tobacco and luxury goods empire will not be included in the UK stock market indices, including the FT-SE 100. However, both of SmithKline Beecham's classes of shares – A shares and equity units – will remain in the indices.

The FT-SE Actuaries Share Indices steering committee decided not to approve a change to the rule on the definition of a UK company, proposed in September, at a meeting on Wednesday.

The proposed change would have excluded both the new Rothmans companies and the SB units, and caused an outcry from the companies and from stock market practitioners.

Mr Mark Makepeace, secretary to the steering committee, said that the SB units were a secondary line of a recognised UK company, and should therefore be included.

The new Rothmans and Vendome capital structures each involve two companies, of which one will be UK registered.

Mr Makepeace said that as investors will be able to choose not to take any franked dividends – that is dividends on which UK tax has already been paid – it was hard to decide what percentage of the new companies would be British, and the percentage could fluctuate.

Mr Hugh Collum, finance director of SmithKline Beecham, said yesterday he was delighted that the units would remain in the indices, although he was "disappointed that this anomaly has not been resolved once and for all".

An adviser to Rothmans said the decision was "eccentric". Currently Rothmans is regarded as a UK company for indices purposes. The two new companies will encompass the businesses of the old Rothmans but will not be counted as UK companies. The adviser said that when the reorganisation takes effect on October 25, "some people will feel they have to sell the shares".

Fund managers compare their portfolios' performance to the stock market indices.

One broker said, "a lot of institutional fund managers are cross that Rothmans is not in". He added that, in the longer term, companies not included in the indices became "orphans" with few followers.

FT-SE share indices changes

THE FOLLOWING notice was issued yesterday by the FT-SE Actuaries Share Indices steering committee:

The FT-SE Actuaries Share Indices steering committee has met to consider the issue of the eligibility of the SmithKline Beecham units, new Rothmans units and Vendome units in the indices following the proposal to change the rules defining a UK company.

The committee has decided, pending a review, to make no changes.

SmithKline Beecham A shares and units will remain unaffected and, upon the restructuring of Rothmans International and Dunhill, the new Rothmans and Vendome units will not be admitted to the indices.

The steering committee felt that defining a UK company for index purposes was a complex issue and reaffirmed its commitment to three important guiding principles, namely:

- Integrity of the indices as a benchmark of the performance of UK companies.
- Objective and equitable treatment of all constituents.
- Continuity and stability of index constituents.

In light of the complexity of the issues involved and the impending ruling on foreign income dividends anticipated in the November budget, the steering committee decided not to make changes to the rules governing the indices at this time but to conduct a further review to assess the nationality qualifications for membership of the UK indices and to examine the problems posed by complex cross-border capital structures.

In the meantime the committee agreed to make no changes to the rules.

SmithKline Beecham units will remain in the indices as will the SmithKline Beecham A shares which are unaffected by this issue.

Because Rothmans International's capital structure is undergoing significant change, Rothmans International will no longer exist as a corporate entity from October 25 and will, therefore, leave the indices on its restructuring on October 22.

It has been decided that neither new Rothmans units nor Vendome units will be admitted to the indices at that time.

Reclassified companies

THE FOLLOWING companies will move to new sub-sectors of the FT-SE Actuaries classification system. They are listed by reference to the new sub-sector they will occupy. A full list of companies in the FT-A All-Share index under the new classifications will appear in Monday's Financial Times.

Copper mining: RTZ Corporation
Other mineral extractors and mines: Bardon Group; English China Clays; Starmin
Oil Integrated: British Petroleum Co; Burmah Castrol; The Shell Transport & Trading Co
Oil Exploration & Production: British-Borneo Petroleum Syndicate; Clyde Petroleum; Enterprise Oil; Goal Petroleum; Hardy Oil & Gas; Lasmo; Midland & Scottish Resources; Monument Oil & Gas; Pict Petroleum; Pittencrieff; Premier Consolidated Oilfields; Triton Europe; Simon Engineering
Building Materials: Alumasc Group; Ashley Group; Charter; Expamet Int'l; Faber Prest; Glynwed Int'l; Morgan Crucible Co; Norcros; Victaulic
Chemicals, Commodity: BOC Group; Brent Int'l; Courtaulds; Imperial Chemical Industries; Kalon Group; Manders; McLeod Russel Holdings; MTM
Chemicals, Speciality: Allied Colloids Group; BTP; Canning; Cookson Group; Croda Int'l; Hickson Int'l; Holliday Chemical Holdings; Laporte; Wolstenholme Rink; Yorkshire Chemicals
Chemicals, Materials Technology: British Vita; Plysu; Porvair; Wardle Storeys; Wassall; Yule Catto
Conglomerates: BTR; Diploma; Ross Group; Staveley Industries; Suter; Williams Holdings
Electrical Equipment: Bullough
Electronic Equipment: Tadpole Technology
Office Machinery: Rank Organisation
Engineering, Metallurgy: ASW Holdings; Bridon; British Steel; Johnson Matthey
Engineering, Fabricators: Castings; Cook (William); Hall Engineering (Holdings); Hill & Smith Holdings; McKechnie; Metalrax Group; Senior Engineering Group; Triplex Lloyd
Engineering, Specialities: Bodycote Int'l; Molins; Renold
Engineering, Contractors: Atlas Converting Equipment; Babcock Int'l Group; Haden MacLellan Holdings; Howden Group; Protean; Rotork; Siebe; Spirax-Sarco Engineering; Weir Group; Whessoe
Engineering, Diversified: APV; Baynes (Charles); Bromsgrove Industries; Carclo Engineering Group; Concentric; David Brown Group; Domino Printing Sciences; EIS Group; FKI; Halma; Hampson Industries; Hopkinson Group; IMI; Johnson & Firth Brown; Linx Printing Technologies; Prospect Industries; TI Group
Engineering, Aerospace & Defence: Chemring Group; Meggitt; Vickers; Vosper Thornycroft Holdings; VSEL
Instruments, Tools & Mechanical Handling Equipment: Barry Wehmiller Int'l; Burnfield; Dobson Park Industries; GEI Int'l; Huntleigh Technology; Life Sciences Int'l; MTL Instruments Group; Neotronics Technology; Oxford Instruments; Servomex; Whatman
Vehicle Components & Assemblers: AAF Industries; Adwest Group; Benson Group; Transfer Technology Group
Other Textiles: Jones Stroud (Holdings); Marling Industries; Scapa Group
Footwear & Leather: Hartstone Group
Distillers & Wines: Bulmer (HP) Holdings; Grand Metropolitan; Merrydown; Taunton Cider
Floor Covering: Halstead (James) Group
Household Requisites: Jeyes Group; Paterson Zochonis; Reckitt & Colman
Medical Ancillaries: AAH; Amersham Int'l; Bespak; Community Hospitals Group; CrestaCare; Intercare Group; Isotron; London Int'l Group; ML Laboratories; Quality Care Homes; Scholl; Seton Healthcare Group; Smith & Nephew; Takare; UniChem; Westminster Health Care Holdings
Pharmaceuticals: British Bio-Technology Group; Grampian Holdings
Distributors of Industrial Components & Equipment: BM Group; Brammer; BSS Group; Electrocomponents; Farnell Electronics; ISA Int'l; Wholesale Fittings (The)
Distributors, Others: Casket; Ellis & Everard; Salvesen (Christian); Time Products
Retailers & Wholesalers, Food: Ashley Group
Retailers, Multi Department: Amber Day Holdings; Argos; Asprey; Beattie (James); Bentalls; Betterware; Brown (N) Group; Christies Int'l; Great Universal Stores; Kingfisher; Liberty; Marks & Spencer; Sears; Storehouse
Retailers, Chain Stores: Alexon Group; Laura Ashley Holdings; Austin Reed Group; Body Shop Int'l; Boots Co; Brown & Jackson; Burton Group; Church & Co; Country Casuals Holdings; Courts (Furnishers); Dixons Group; Etam; Fine Art Developments; Frost Group; Lloyds Chemists; Menzies (John); MFI Group; Moss Bros Group; Next; Pentos; OS Holdings; Rossbys; Signet Group; WH Smith Group; Stat-Plus Group; T & S Stores; Tie Rack; Wyevale Garden Centres
Vehicle Distributors: Goode Durrant; Henlys; Inchcape
Business Support Services: Proudfoot; Ricardo Group
Computer Services: Electronic Data Processing; Micro Focus Group; MR Data Management Group
Print Services: Watmoughs (Holdings)
Pollution Control: Attwoods; Caird Group; Leigh Interests; Rentokil Group; Shanks & McEwan Group
Other Businesses: Anglo United; Calderburn; UDO Holdings
Gas Distribution: British Gas; Calor Gas Group

Members of the FT-SE Actuaries Industry Classification Committee:

Nicholas Fitzpatrick (chairman), John Brumwell (deputy chairman), Nigel Atkinson, Michael Barber, Denis Bluett, Ian Clarke, Adrian Dicks (secretary), Christopher Hirst, Melvyn Lee, Mark Makepeace, James McCaughan, Diane Miller, Richard Pain, Alex Popplewell, Eric Shirbini, William Smith, Nick Stevenson, Stephen Wells.

RECRUITMENT

JOBS: Why the setting of clear-cut goals when seeking new business ideas can end in little net profit

The source of effective innovation

QUITE who first cut spiral grooves up the inside of a musket barrel in Germany 500 years ago, nobody knows. Nor, while the longer and more accurate shots resulting from the "rifling" grooves led others to follow suit, did anybody then know why the new rifles outperformed smooth-bore guns.

So in 1547 the Archbishop of Mainz did an experiment to find out. He got riflemen to fire at targets with two sets of bullets. One set was made of silver, almost as sacred as gold by religious tenets, and the rest of unholy lead. The lead bullets hit the bull far more often than the silver, which mostly fell short. Why?

The conclusion now would be that the bullets made of silver, a hard metal, resisted the grooves of the rifling and so were held back; whereas the soft lead kind yielded to the grooves, taking on the spin which did the trick. But that wasn't what the Archbishop concluded from the experiment.

His conclusion was that rifle bullets must be guided by devils. And that – in a society which believed the air was filled with invisible angels and demons fighting one another – served as a perfectly scientific explanation.

What brings the said episode to the Jobs column's mind is an uncanny coincidence which may betoken that I'm being guided by something (although which side of the fight it's on is another question). The sequence began at Spain's Instituto de Empresa management school, when I was hearing about the way the school teaches would-be top executives how to be successful innovators. The method is first to analyse markets to find a niche for a new product, then devise a product to fit the niche.

The description of same reminded me of some research into the matter which I'd reported, as I thought, about four years ago. So on returning I leafed back to January 1989, only to draw blank. That meant a long search, which miffed me because I wanted to get on with reading about a fairly new development in psychology I'd chanced upon, called reversal theory.

Among its suggestions is that, when taking action, people can be in either of two distinct frames of mind. In one of them, which the theory terms the *telic* state, the action is undertaken solely as a means to some pre-set end. For example, when the goal of passing an examination causes you to delve into a textbook, you are reading in a telic way.

The other kind of action, termed *paratelic*, consists of things you do simply because you want to do them. When you get the feeling that you'd like to read and settle down with a book, you're reading in a paratelic way, probably with no clearer goal than just to see what happens.

Moreover, while we can change (or "reverse") from one to the other, we tend to be either telic- or paratelic-biased in our actions.

But, as I said, my own reading of the theory was interrupted by the hunt for the research report, which turned out to date from 1987. The study, by Dr Rolf Berth, was of 73 successful innovations in companies. It found that only nine of them had been achieved by the method, essentially telic, taught in the Spanish school. The rest resulted from someone just having an idea and developing it to see what happened.

After reporting as much in the 1987 article, I went on to hazard a guess that folk with the clear-cut ambition needed to climb to the top of companies "have minds which operate in fundamentally different ways from those of effective innovators". Hence my feeling of awe on returning to the book on the theory, and reading of a trial in which some telic-biased people and others with a paratelic bias were individually set to work on a problem while wired to a device measuring the electrical activity in their brains.

Not only was the activity greater in the paratelics' case, but the pattern differed. Their whole brain was directed towards a single focus, whereas the telics seemed to be applying different bits of their brain in separate directions. Gorblimey!

That is unfortunately all I can tell you about the theory until I've learned more. Even so, it's surely enough to raise a question about the widespread belief that the best way to run a company is to fill all its influential positions with people of the decisive, goal-orientated telic mentality. Doesn't it smack of the sort of belief which led the Archbishop to his conclusion about rifle bullets?

NOW to the table below, which gives the going rates of pay for British managers as shown by the Reward company's latest six-monthly survey. Anyone wanting to know more about it should contact Vivienne Copeland at Reward House, Diamond Way, Stone, Staffordshire ST15 0SD; tel (0)785 813566, fax (0)785 817007.

My extracts relate solely to managers just below director. To update to October 1, all pay figures should be increased by 0.44 per cent. Regional variations from the median base salary of £31,058 were: *higher* – London by 16 per cent, Scotland by 6.8, South-east England by 3.0, and Northern Ireland by 0.2; *lower* – South-west England by 1.9 per cent, West Midlands by 3.2, North-east by 6.1, North-west by 7.2, and Eastern counties by 8.8.

Variations by company turnover were: *higher* - £500m-plus by 41.9 per cent, £200m-500m by 12.8, £100m-200m by 10.5, £50m-100m by 4.3; *lower* – £20m-£50m by 2.6 per cent, £10m-£20m by 3.2, £3m-10m by 10.7, and under £3m by 15.9.

Michael Dixon

Rank One = *Most senior executive below rank of director in:*	Lower quartile Basic salary £	Lower quartile Total money reward £	Median Basic salary £	Median (Basic year earlier) £	Median Total money reward £	Median (Total year earlier) £	Upper quartile Basic salary £	Upper quartile Total money reward £	% with company car
Company secretariat	30,375	30,675	37,791	(35,124)	39,385	(36,000)	46,103	47,753	82.8
General management	28,597	29,239	34,922	(34,800)	35,395	(36,000)	40,375	40,793	91.2
Marketing	27,820	29,048	32,263	(31,950)	34,420	(32,950)	38,328	39,559	86.9
Finance & accounting	29,100	29,886	33,000	(33,000)	34,000	(33,771)	39,500	40,000	81.9
Data processing	27,944	28,503	32,270	(30,531)	33,683	(31,750)	38,383	38,756	76.8
Personnel	25,636	26,408	32,168	(30,300)	32,463	(30,361)	38,170	39,232	73.0
Administration	25,489	26,438	31,844	(28,400)	32,372	(28,500)	40,153	40,634	75.0
Surveying/construction	28,022	28,500	30,920	(27,500)	32,076	(27,500)	34,110	34,676	74.1
Distribution	24,035	24,710	28,992	(29,000)	31,996	(30,000)	36,050	36,708	85.4
Sales	26,000	27,164	30,608	(30,000)	31,752	(30,552)	36,000	38,348	85.0
Engineering	25,287	26,003	30,458	(29,196)	30,625	(29,550)	34,071	34,251	75.4
Purchasing	24,879	24,897	29,006	(27,500)	30,304	(28,000)	34,977	35,082	80.5
Scientific/technical dept	26,380	26,665	30,000	(28,816)	30,237	(29,250)	35,000	35,444	68.8
Production	23,760	24,688	28,500	(27,000)	29,044	(27,852)	33,468	34,458	77.2
Quality assurance	23,113	23,547	28,200	(26,300)	28,782	(26,863)	30,833	31,500	75.3
All Rank-One execs	26,250	–	31,058	(30,000)	–	(–)	36,787	–	79.6

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Allied to this an understanding of a broad range of treasury, capital markets and corporate finance products, enabling him/her to not only cross sell the Bank's expertise, but also that of Panmure Gordon and Nations CRT.

This post represents an exceptional opportunity to join the growing London operation of one of the most profitable banks in the US.

The bank seeks the highest quality candidates and the remuneration package reflects the importance of this position. It will include a competitive basic salary, car, discretionary bonus, mortgage subsidy and the full range of banking benefits.

Interested candidates should contact Niall Macnaughton at BBM Associates Ltd (Consultants in Recruitment) on 071-248 3653 or write, sending a detailed Curriculum Vitae to the address below. All applications will be treated in the strictest confidence.

76, Watling Street, London EC4M 9BJ

BBM ASSOCIATES

Tel: 071-248 3653
Fax: 071-248 2814

Head of Computer Division

The Botswana Building Society operates nine branches located throughout Botswana with the Headquarters located in Gaborone.

The Society requires the services of a suitably qualified Computer Professional to head it's computer Division which is based in Gaborone. The successful applicant will also become a member of the Society's Senior Management Team.

The Society currently operates on-line and batch computer systems which utilise the PICK operating system. These systems have outlived their useful life and the Society has initiated a project to replace these ageing systems with modern hardware and up to date software. This will entail the use of the wide area networks and the maintenance of distributed databases.

The Head of the Computer Division will be responsible for:

- Complete control of all aspects of the Society's computerisation.
- The formulation of policy related to information processing.
- The management of existing computer staff.
- The testing of the new computer staff.
- The testing of the new computer systems.
- The transition from the old computer system to the new computer system.

The ideal applicant should have:

- Reached the age of thirty.
- At least ten years computer experience in the design and implementation of sophisticated computer systems.
- Proven managerial experience.
- A strong financial background.
- Previous experience in a building society environment would be advantageous.

The Society offers:

- Salary of £30,000 - £42,000 per annum.
- Benefits normally associated with a senior management position.
- Passage from outside Botswana.
- Post contract tax free gratuity.

Applications accompanied by a full CV should be sent under confidential cover to:

General Manager and Secretary
Botswana Building Society
P. O. Box 40029
Gaborone
BOTSWANA

To arrive no later than 31st October, 1993.

Vice President Operations

Package Negotiable

A leading Group in Kuwait requires a resourceful and highly experienced V.P. for its operations. Our companies deal in Computers, Food Stuffs and Elevators. Also we are in the Trading and Contracting business. Reporting to the President, you will assist in the overall day-to-day operations of the business. Carry out a comprehensive review of each segment of our operations, and identify and develop new business opportunities. This is a challenging role that demands a highly enthusiastic and dedicated person.

The candidate will possess a professional qualification and a minimum experience of 20 years including at least 5 years in a leading role in a large corporation. Communication in both Arabic and English is required and ability to lead by example is a pre-requisite.

Please write in confidence with full CV and covering letter outlining your current package and career achievements to date to:

The Advertiser, P.O. Box 21119, Safat 13072, Kuwait or Fax (00965) 246-6202

Senior Credit Analyst

Salary and benefits will reflect the seniority of this position

This prime European bank has an extensive UK and Nordic loan portfolio across a broad range of sectors. It seeks to recruit a dedicated credit analyst at senior level. In addition to preparing detailed credit analysis including cash flow forecasts, the senior credit analyst will devote a lot of time to the training, development and monitoring of junior analysts. The production of industry sector research will form part of the role. Applicants should have at least five years' relevant experience within a bank. A degree or professional qualification will be benficial but is not essential. Candidates should be able to demonstrate a high degree of professionalism as well as strong self motivation and excellent inter-personal skills.

Credit Analyst – Zurich

An opportunity has arisen to work for a highly regarded overseas bank at its Head Office in Zurich. Supporting the Relationship Manager in advising the Dutch multinational client base, this person will undertake extensive credit analysis as well as monitoring the portfolio. In addition, the Analyst will assist in maintaining good customer relationships, organising roadshows, setting up targets, attending client visits and making presentations. Applicants will be graduates, aged 25 to 30, possess good credit skills and display a confident and outgoing personality. Every opportunity will be given for career development and progression.

Please contact Brenda Shepherd

Fax 071-626 9400 | Ridgway House 41/42 King William Street, London EC4R 9EN | Telephone 071-626 1161

Financial Recruitment Consultants

SHEPHERD LITTLE

Head of Foreign Exchange Trading

Competitive Package

A major European bank with a strong reputation in the Foreign Exchange market is looking for a Head of their FX trading team. The successful candidate will be in their thirties, with a minimum of five years FX Trading experience, including a focus on Scandinavian currencies. Successful management experience of a sizeable team and experience in trading both spot and forward FX are essential. Knowledge of German and at least one Scandinavian language is also preferable.

Please reply in writing with full cv, Ref OC158

BMI

South Audley Street, London W1Y [illegible] Tel: [illegible] Fax: [illegible]
A division of [illegible] International

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- Assistant roles to provide support to the Pan European Equity Research Analysts offering career prospects for success-orientated individuals.
- The opportunity to work at a highly-rated International Securities House with a first class industry reputation for their Equity Research Product.
- You will have at least two years experience within the Equity Markets in either Sales or Research. Aged in your twenties, you will have a quality degree, spreadsheet experience and also a knowledge of accounting and analysis. The role will include statistical analysis, financial analysis of company figures and reports and the production of written research material in a demanding, pressurised environment. The successful candidate will work with the Analysts, specifically the Chemicals Analyst and UK Electronics and Telecommunications Analyst, to provide current, up to date research and forecasts on the European Industry for the Equity Sales, Trading and Corporate Finance teams.
- Please contact Oliver Wells in strictest confidence at: Michelangelo Associates, 36 Whitefriars Street, London EC4Y 8BH. Tel: 071 936 2857, Fax: 071 583 6531.

Opportunities in Corporate Finance and Trainee Fund Management

Due to increasing business success, a major British Merchant Bank is seeking Junior Executives with 1-2 years' work experience for several of its business areas.

Your role will be to support specialist teams providing succinct analysis of sectors, companies and countries. You will be also required to make an immediate contribution in terms of ideas and client liaison.

You should have a 2(I) degree, preferably in Economics, Law or a business related discipline, and have proven analytical and PC skills as well as experience of writing reports.

You will need to be a confident communicator and fluency in a European language would be advantageous. Thorough training will be provided and opportunities for progression are excellent.

Please apply in strict confidence, enclosing a detailed CV including current salary and indicating your preferred business area, to Geoff Selby (Ref. GR/66), Buckley Deane Wakefield Limited, 38 Charterhouse Square, London EC1M 6EA.

BDW ASSOCIATES

Corporate Finance Professionals

A leading Turkish-based brokerage house with a broad foreign institutional client base is seeking corporate finance professionals to add to its growing corporate finance group. For both positions, fluency in a second language, including Turkish, is an asset. Applicants must be willing to relocate to Istanbul.

Corporate Finance Executive

Keen, aggressive and self-possessed, you will be responsible for all aspects of corporate finance deal origination, development and execution. This position offers excellent opportunities for those who can oversee a deal from client contact through mandate letter to closing.

Corporate Finance Analyst

Put a solid educational and professional background to work for the corporate finance group in the analysis and evaluation of corporate finance transactions. In addition to superb numeracy, you will possess strong writing skills which you will use to communicate your views and conclusions with clarify, speed and accuracy. Expertise with Lotus, MS Excel, MS Word, SAS, TSP or similar statistical software packages is a requirement for this position.

Applicants interested in the foregoing positions should respond by providing a curriculum vitae and a letter outlining career objectives and salary history and expectations, to: Greg Kiez, Acting Director of Corporate Finance, Global Menkul Degerler A.S. 368/11 Halaskargazi Cad. Çifurt Apt., Sisli, Istanbul TURKEY 80220 Fax: (901) 230 22 35

INTERNATIONAL PRIVATE BANK

Unique Marketing/Team Leadership Opportunity

Niche Middle East Focus

Excellent package **London-based**

The Appointment

A unique U.S.-based global financial institution, whose outstanding performance positions it in the premier league, is taking a uniquely creative approach to the successful expansion of its Private Banking business in the Middle East. Recognising the growing financial-service needs of Saudi women, while at the same time seeing significant growth in its overall activities in the Middle East region, its International Private Bank seeks an unusual individual who can perform a two-fold role; to spear-head marketing and product delivery at the most senior levels to female clients in Saudi Arabia, and to be overall Head of the expanding Middle East team.

The Requirements

- A high calibre individual with the status to take up this senior appointment; outstanding maturity, interpersonal skills and management ability.
- A minimum of 10 years' experience of marketing a diverse range of banking products to the Middle East – not only "traditional" Private Banking & Investment Management.
- Experience of the Middle East region; fluency in Arabic and English is essential and ideally French.
- Track record of establishing and maintaining strong client contacts with female clients in Saudi Arabia.
- Thorough familiarity with the U.S. banking environment.
- Experience of Swiss Private Banking.

Interested candidates should write to Paul Mewis at BBM Associates Ltd (Consultants in Recruitment) enclosing a full Curriculum Vitae which should include contact telephone numbers. All applications will be treated in the strictest confidence.

76, Watling Street, London EC4M 9BJ

BBM ASSOCIATES

Tel: 071-248 3653
Fax: 071-248 2814

Head of Capital Markets

A joint venture bank headquartered in Cairo is seeking to recruit an experienced Capital Markets Professional to head up this activity.

Applicants should be familiar with money market instruments; mutual fund development & management; company valuations; public offerings etc. In addition they should be fluent Arabic speakers and have a familiarity with Egyptian banking most likely acquired by having previously worked and lived in the country.

Salary and Benefits offered are very competitive and reflect and importance of this senior management role within this Bank.

Applicants should send their CVs to:

Ms. Kamilia Hussein
4, Hassan Sabry St.
Zamalek, Cairo
Telephone No: 02-3400063

EAB البنك المصري الأمريكي Egyptian American Bank

Corporate Treasury Systems Client Support

MCM is adding more client support professionals to our treasury management systems team. Experience in financial software and PC Systems essential. Corporate Treasury experience, direct or in support, helpful. Please send CV and covering letter (reference FBS/FT/93-4) to:

Multinational Computer Models Ltd.
Attention: Personnel Department
Butler House, 19-23 Market Street
Maidenhead, Berks. SL6 8AA
Fax: 0628-71540

I B F G Interdisciplinary Consulting & Research Group Ltd

Our client is a renowned, medium-sized private investment bank situated in Zurich's financial district with a strong focus on brokerage business.

With a view to expanding services to institutional investors the bank is looking to complement its small, highly motivated team by a

SENIOR FINANCIAL ANALYST

(male or female)

who would provide the major impetus for selling **Swiss shares.**

Candidates for this position ideally should have a sharp analytical mind and commensurate track record combined with a high degree of self-assurance and conviction in dealing with clients as well as the requisite will-power to demonstrate exceptional performance both independently and as a teamplayer.

If you feel qualified, we would be pleased to receive your application including the necessary particulars. Complete discretion is assured.

Dr Leopold Kohn, Managing Partner
IBFG Interdisciplinary Consulting & Research Group Ltd
Beckenhofstrasse 16, PO Box 176, 8035 Zurich / Switzerland

For further information or details, phone +44-1-382 9900.

Sassoon (Europe) Ltd

BROKER : SOUTH EAST ASIA

J.M. Sassoon is an international stockbroking firm which has been specialising in the marketing of South East Asian securities for well over 30 years. Sassoon (Europe) Limited is a member of the Sassoon Group of Companies and is currently strengthening and expanding its broking activities in the London office.

■

We are seeking to recruit Salespersons with thorough recent experience in marketing South East Asian stocks with a focus on Hong Kong, Singapore and Malaysia. Your client list must include U.K. institutions. You should have a high level of motivation and will be expected to fulfil an important role in a dynamic team.

■

Performance will be rewarded with an excellent salary and attractive incentives.

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Interested candidates should contact:

R.M. Nelson, Chief Executive, Sassoon (Europe) Ltd,
53 Tooley Street, London SE1 2QN
Tel: 071 378 6399 Fax: 071 378 8420

Corporate Banking

Our client is a highly rated, North American bank, with a well established presence in London and other major financial centres.

The bank now seeks to recruit an Associate, to support Account Managers in marketing the full range of Corporate Finance and Treasury products to UK corporates.

Applicants should ideally have 2-3 years relevant banking experience and possess strong analytical skills. Candidates should also be university graduates, highly motivated and PC literate, with effective communication skills.

This post is an important element of the Bank's structure and applications are encouraged from candidates seeking long term careers in a demanding and meritocratic environment.

Salary will be dependent upon qualifications and experience and the total remuneration package will be highly competitive.

Interested candidates should contact Niall Macnaughton at BBM Associates Ltd (Consultants in Recruitment) on 071-248 3653 or write, sending a detailed Curriculum Vitae to the address below. All applications will be treated in the strictest confidence.

76, Watling Street,
London EC4M 9BJ

BBM ASSOCIATES

Tel: 071-248 3653
Fax: 071-248 2814

INTERNATIONAL PRIVATE BANKING

MANAGER AND DEPUTY MANAGER OFFSHORE

A major International Private Bank has vacancies for a Manager and a Deputy Manager to run and develop International Banking Services in the Isle of Man.

Candidates should possess appropriate professional qualifications and be fluent in at least English and Swiss German. Extensive experience of onshore and offshore international banking is necessary and in particular the candidates need to demonstrate a high degree of specialised knowledge in dealing with Fiduciary Deposits and Products.

An attractive benefits package commensurate with a leading financial institution will be offered.

Preliminary interviews will be held in the British Isles.

Detailed Curriculum Vitae should be sent in the strictest confidence to Box B1707, Financial Times, One Southwark Bridge, London SE1 9HL.

MERIDIAN

INSTITUTIONAL EQUITY SALES x3

Ambitious team players are required for 3 new positions within a major int'l investment bank. Experience in institutional sales or fund management preferable.

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AIC Conferences is one of the world's leading organisers of business conferences. The company has recently opened new offices in New York, Mexico, Chile and London. Rapid expansion of the London Office is creating openings for conference producers.

As a Conference Producer you will be responsible for researching and writing conference programmes on topical business issues. You must be confident, self motivated and hardworking.

You must have a good university degree and preferably two years commercial experience in an area such as banking, law, government, IT, manufacturing or health.

Please forward your resume by the 12th October to:

Charles Macdonald, General Manager, AIC Conferences, Nestor House, Playhouse Yard, London EC4V 5EX.

Senior Investment Analyst

UK Equities

One of the UK's leading London-based investment management organisations has a requirement for an experienced investment analyst to join its UK equities team. Initial responsibilities will entail the in-depth coverage of a number of market sectors and the selection of stocks for a range of pension fund and insurance portfolios.

The position is likely to appeal to investment analysts with 2 - 3 years' investment research experience with the primary focus on the UK market. Candidates must possess well developed interpersonal and communication skills and will be graduates probably in their mid twenties.

If you would like to be considered for this opportunity, which offers a competitive salary and benefits package and the prospect of early advancement to portfolio management responsibility, please write in confidence to:

IMR Recruitment Consultants, No. 1 Northumberland Avenue, Trafalgar Square, London WC2N 5BW (tel. 071 872 5447).

I M R

INVESTMENT MANAGEMENT RESOURCES

APPOINTMENTS WANTED

MEXICO

Dynamic banker (32) seeks position in Mexico. Extensive background in debt restructuring and M&A related corporate finance transactions in Mexico. Fluency in German, English and Spanish.
Swiss citizen, graduate in economics.
For more details, please write to: Financial Times, B1719, Financial Times, One Southwark Bridge, London SE1 9HL

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LADY, 34, TRANSLATOR AND SIMULTANEOUS TRANSLATOR IN GERMAN, ENGLISH AND FRENCH SEEKS POSITION FULL TIME OR ON A CONTRACT BASIS AS P.A./TRAVEL ASS. ANYWHERE.

FAX NO: 071-553 6785.
WRITE BOX B1718, FINANCIAL TIMES, ONE SOUTHWARK BRIDGE, LONDON SE1 9HL.

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Please reply to:Box B1717, Financial Times, One Southwark Bridge, London SE1 9HL

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As part of it's commitment to Total Quality Management a Major U.K. banking group with a global presence wishes to appoint a **QUALITY FACILITATOR** and **COMMUNICATION CO-ORDINATOR** to it's London Head Office. You will ideally have hands-on experience in the development of TQM to ISO 9001/2 standard either in the manufacturing or service sector. It is likely you will be aged 25-35 and for the more senior post be a graduate with a business administration qualification.

Please contact Anne Langdon at:-
18 City Road London EC1Y 2AA
Tel: 071-628 9421 (24 Hrs) Fax: 071-256 9276

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Clare Peasnell on 071 873 4027

Finance Director

Central London £45,000 + Benefits

An exclusive, fast growing retail group with a quality product range is seeking a Finance Director to strengthen the management team at Board level.

Key issues to be tackled include significant input to strategic development of the business and implementation and management of integrated systems and controls.

Suitable candidates will be graduate, qualified accountants with broad experience covering management and financial reporting, MIS, treasury and financial control. Experience of change management in a retail or related business is strongly preferred.

Business acumen, flair and drive are essential, as is a creative, highly credible management style.

Please send a full CV to **Pippa Curtis**, Douglas Llambias Associates, 410 Strand, London WC2R ONS. Tel: 071 836 9501 or Fax 071 379 4820 quoting ref 710PC.

DOUGLAS LLAMBIAS
RECRUITMENT CONSULTANTS

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acuson
COMPUTED SONOGRAPHY

European Financial Controller

West London c. £50,000 + Benefits

Acuson is the worldwide leader in the design, manufacture and marketing of medical diagnostic ultrasound systems.

Due to the relocation of their European Headquarters from Frankfurt to Stockley Park they are recruiting a qualified accountant with significant international experience to control their pan-European operations.

The scope of this role will be to:

* Manage all aspects of financial support to the European Distributor business and as required provide guidance and support to the European Subsidiary Controllers.
* Ensure successful budgeting and business forecasting.

Additional responsibilities will include:-

* Contract construction and financing. * Advising on investment decisions.
* Managing all banking, treasury and exchange exposure issues.

A comprehensive benefits package including car and profit sharing is offered together with a salary of circa £50,000.

Candidates should send their CV to **David Brownlow** at Douglas Llambias Associates, 410 Strand, London. Tel 071 836 9501. Fax 071 379 4820. (ref 710DB)

DOUGLAS LLAMBIAS
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INTERNATIONAL MANAGEMENT GROUP

International Management Group, Mark McCormack's worldwide sports and arts management organisation is looking for a

CORPORATE TAX EXECUTIVE

to join its Corporate Tax Department in Cleveland, Ohio. This position will require excellent international tax experience with a good understanding of European country taxes. Its principal responsibility will be tax planning and research for IMG operations in Europe, however a solid practical accounting background will be essential for other responsibilities: preparation of projections, analysis of financial data, assisting in preparation of tax returns, etc. The successful applicant will be an ACA (or equivalent, CPA in US, etc) with at least four years post qualification experience in a large firm, will have in depth experience of and expertise in European country taxes, and a basic understanding of U.S. corporate taxation, especially relating to U.S. taxation of international transactions.

Please reply in writing with full C.V. to Louise Dier, Pier House, Strand on the Green, Chiswick, London W4 3NN.

FAST EXPANDING CORPORATE FINANCE DIVISION OF SUBSTANTIAL FINANCIAL GROUP WISHES TO ATTRACT EXPERIENCED EXECUTIVES

Successful candidates are likely to have graduated from Financial Consulting or Corporate Finance Departments of the big accountancy firms or smaller M & A department of a Merchant Bank or Venture Capital House. Key attributes will include proven financial modelling capabilities, outstanding commercial drive, excellent communications and presentation skills. Keen sense of humour essential.

Self-motivating applicants should forward CV's to:

Box No A4454, Financial Times, One Southwark Bridge, London SE1 9HL.

TOWER HAMLETS HOUSING ACTION TRUST

Director of Finance and Administration
up to £42,000 + PRP

HOUSING ACTION TRUST

The Tower Hamlets Housing Action Trust, with the full support of residents has the exciting task of taking forward the redevelopment and improvement of three 1970's estates in Bow. The programme will involve major capital works to replace and refurbish 1600 units phased over 5-7 years at an estimated cost of £80 million. It will work in close partnership with those living on the estates, the private sector and other agencies. As well as providing high standards of living, the HAT has broader social objectives to improve community facilities and enhance training and employment opportunities for residents.

The Trust is now seeking a Director of Finance and Administration to develop and implement its financial policies and procedures. The successful applicant will be a qualified accountant with both public and private sector experience, used to preparing and managing multi million pound budgets, with excellent organisational and communication skills.

The principal responsibilities will include overall financial management, preparation of budgets, plans and forecasts, overall systems and project management, development of personnel and general administration policies, raising finance, capital project appraisal, tax management and the normal duties associated with running an in-house accounts department. Experience and a proven track record in these matters is therefore a prerequisite.

Application form and information pack are available from Regina Obiora at Tower Hamlets HAT Office, 278/279 Lefevre Walk, Bow London E3 2RD or telephone 081 983 4698 between 9am and 5pm Monday to Friday quoting reference No DFA/93. CLosing date for applications is 29 October 1993.

The Tower Hamlets HAT is committed to providing equal opportunities.

FINANCE DIRECTOR

Publishing Dorset To £35,000 + Benefits

Our client is an independent, international publishing house with an enviable reputation for quality and innovation. The company is committed to growth and in this connection now seeks a financial director with initiative and ability.

The ideal candidate will be a bottom line oriented, qualified accountant - probably aged late 20/30s - with a proven ability to implement and manage change in a challenging environment. Principal accountabilities will be to maintain and develop the company's accounting systems, provide monthly management information including management accounts and cash flow forecasts, and apply pragmatic solutions to commercial issues. First class communication skills, personal maturity and the ability to work with a small, committed, management team are essential.

Knowledge of publishing would be a significant plus, but experience of other, relevant, service industries will be considered. The successful candidate will possess the potential to develop as the company continue to grow: this is a first rate opportunity.

Please write, enclosing career and salary details to:

James Fane-Gladwin, Director, Beauchamp Browne, 5 Old King Street, Bath BA1 2JW, who is advising the company.

Hong Kong based

INTERNATIONAL FINANCIAL CONTROLLER

Fund Management Company with an established reputation as a leading player in South East Asia seeks an experienced qualified accountant with a strong background in the financial services industry.

Reporting to the Board, the Financial Controller is responsible for the day to day implementation of financial controls for the Group's international business network and for corporate financial management. The successful applicant should have particular awareness of fund accounting, corporate secretarial matters, treasury management, international tax legislation and have strong administrative skills.

A graduate chartered accountant from a leading firm, probably in your early 30s, results-driven, confident, industrious team-spirited and adaptable with experience gained in a commercial environment and used to communicating at the highest level. Single status preferred.

£Attractive + Relocation Expenses, housing and normal benefits.

Please write enclosing a full CV, recent photograph and salary expectations to Box B1712, Financial Times, One Southwark Bridge, London SE1 9HL

Closing Date 19th October, 1993

ACCOUNTANCY COLUMN

Portion of Cadbury may taste more bitter than sweet

Andrew Jack wonders whether proposals for internal controls are focused in the right direction

THOUSANDS of copies of an unlikely bestseller are circulating in British boardrooms this month in a sale driven by fear. The text is one which could test executives' powers of imagination with words as much as accounting standards have, in the past, challenged their creative use of numbers.

After a tortuous period of gestation through more than 17 drafts, the working group on internal control has produced a weighty document designed to provide directors with advice on developing and commenting on effective financial controls.

Internal Controls and Financial Reporting runs to 70 pages of tightly-packed text, ranging over six chapters and six appendices. It was chaperoned by the Institute of Chartered Accountants in England and Wales, with six chartered accountants drawn from business and the profession as members.

Few can have expected all this work to have been spawned by a few almost throw-away lines in the report of the Cadbury committee on the financial aspects of corporate governance, issued last December. Cadbury recommended that "the directors should report on the effectiveness of the company's system of internal controls", and called on the accountancy profession to develop the "necessary guidance" to allow this to take place.

Businesses would be foolish to ignore the document, however tempting that might be. If and when it is ever approved, it will become an essential part of the recommendations in the Cadbury code. Listed companies will be required to provide a statement on internal controls. Failure to comply could result in action by the Stock Exchange.

On the whole, the guidelines manage to do an effective job of sketching out the background to the subject and highlighting issues to consider. The document defines internal controls as systems established to provide reasonable assurance of effective and efficient operations, reliable financial information and reporting, and compliance with laws and regulations.

It says controls are needed in order to comply with the law, act as a mangement response to growing corporate size and complexity, and provide a means for boards to identify and evaluate risks for the prudent operations of the company on behalf of shareholders.

It argues that internal control structures have four separate "elements". The first is the control environment, fostered by the board for all individuals in a company to take the subject seriously. The second is the identification of risks, control priorities and objectives. Third is control activities: the policies and procedures to ensure that the objectives are achieved. Fourth is monitoring and corrective action.

All these points seems very logical, desirable and even patently obvious – on paper. They reflect an increasing focus on internal controls, not least that highlighted in a paper earlier this year by the Institute of Chartered Accountants of Scotland, which sees a far greater role for internal auditors in place of external auditors in the future.

The most vocal, and effective, critic of the internal controls proposals has been the Hundred Group of leading finance directors. Following dire warnings of "corporate overload" generated by a raft of new proposed guidelines issued in the last few months, the group recently gained agreement for greater consultation, co-ordination and delay.

Partly as a result, the document, which was originally due in June, has only just been released, and is now out for consultation until the end of next February. That means if it ever finally appears, it is unlikely to be in place for reporting by companies with year-ends before the end of 1994.

In a speech last week, Mr Nigel Stapleton of Reed Elsevier, chairman of the Hundred Group's technical committee, urged standards-setters to "make haste, carefully", arguing there were too many peripheral issues under discussion, with guidelines often inadequately drafted.

The danger is that companies – many already with good internal control systems – will be saddled with substantial additional costs to report on internal controls, while those without will still be able to slip through the net and avoid fairly reporting on the state of their systems.

It is tempting to dismiss these criticisms as self-interested attempts by boards to save costs and evade efforts to make them more accountable. That would be far easier to do if those taking the alternative, working party line were entirely dispassionate. But they are not.

The accountancy firms have been cashing in on Cadbury in a big way. It came as no surprise that publication of the document last week was immediately welcomed by KPMG Peat Marwick and Coopers & Lybrand, for instance. KPMG, Arthur Andersen and Touche Ross have all recently produced booklets on the topic.

While calling for greater attention to internal controls, the firms have been aggressively marketing their advice to steer companies through the confusion caused by the fall-out from the corporate governance movement.

In the longer term, some of the firms are estimating that ensuring companies are complying with the Cadbury code – notably on internal controls and whether it is a "going concern" – will add between 10 per cent and 25 per cent to the annual audit fee.

As the working party document says, most companies will need to review their internal control systems as part of the process of generating their statement of compliance with the code. For smaller companies, one accountant estimates that will typically cost several thousand pounds in consulting fees to write systems. What is unclear is how far this will be a paper exercise to satisfy the auditors rather than something which genuinely adds value.

In a chapter on the statement that directors will be required to make, the working party urges that the wording should be free-ranging rather than adhering to a formulaic "boiler plate", something which is sadly the norm in auditors' reports. It wants directors to list "reportable weaknesses" which have been discovered, and describe remedial action being taken.

If it worked, such text would provide wonderful information for readers of accounts, not least journalists. But it would also mark a remarkable change in the normally bullish texts available up till now, and leave boards feeling exposed and more vulnerable to legal action than a standardised form of words.

Guidance is now being developed by the Auditing Practices Board on how auditors would verify the statement. But it is unclear how detailed this is likely to be and what would happen if there was disagreement between auditors and directors over the state of internal controls.

Boards would clearly do everything possible to prevent a qualification in their accounts driven by disagreement on the topic. Yet the recommendations seem to leave little room for them to conceal the sins of the past, since they are being required to own up to weaknesses and say how they are making amends. That contrasts with accounting standards which allow for disputes to be resolved and policies changed following discussion with the auditors but without any public statement.

This would suggest that boards will impose greater pressures on their auditors not to qualify their statements – on pain of loss of audit fee or job. And, unlike with the Financial Reporting Review Panel for accounting standards, auditors would not have the power of an external regulator party to the discussions with which to threaten compliance.

As a result, the statement on internal controls runs the risk of being costly but worthless.

Internal Controls and Financial Reporting, from Lisa Groves, Working Group on Internal Control, PO Box 433, Moorgate Place, London EC2P 2BJ. £5.50.

Financial Controller

Malawi — Excellent Expatriate Package

Oil Company of Malawi (1978) Limited, based in Blantyre, is the country's largest distributor of oil products with a market share exceeding 50%. Our client now wishes to appoint an experienced Financial Controller capable of making a major *contribution to its continued* success.

Reporting directly to the Chief Executive Officer, your priorities will be to manage and motivate a team of 50 *staff*, responsible for maintaining tight financial controls and producing crucial management information, and to co-ordinate a project to install new systems and procedures. You will be involved in financial planning, budgeting and forecasting and, as a vital member of the management team, will advise on product pricing, IT issues and future strategy.

Applications are invited from qualified, commercially-rounded accountants with proven leadership qualities for whom this role would represent an upward career move. Oil industry exposure and a record of success in systems implementation are prerequisites, whilst previous expatriate experience is desirable. Vital personal attributes include ambition, initiative and a robust, adaptable character.

The comprehensive remuneration package includes generous salary and bonus, expensed car, gratuity on completion of contract and substantial assistance with educational fees. Blantyre boasts excellent recreational *facilities*, while Lake Malawi and its shoreline offer numerous leisure attractions.

Please write, in confidence, enclosing full career and salary details, to Tim Knight, quoting reference TCK/0710.

KPMG Selection & Search
1-2 Dorset Rise, Blackfriars, London EC4Y 8AE

Vice President - Audit

Leading Multinational Group

London Base — c. $100,000 + bonus + car

Our client is a leading consumer products group that has an accomplished record of brand development on an international scale. It has achieved leading market positions across world markets through enterprise, innovation and shrewd investment.

An opportunity has arisen for a senior audit professional to lead a large team providing coverage throughout the Group.

Key tasks will include:

- Adding value to the business by recommending improvements to management controls and identifying opportunities for cost efficiencies and profit improvement;
- Assisting management in the implementation of controls and procedures;
- Developing a high calibre, well-respected team to ensure that Audit is recognised as an excellent training ground for financial and EDP management talent.

Potential candidates must have at least ten years' management experience in a fast-moving international environment. Audits will be conducted in all major *functional areas, which will require strong business* acumen and broad based experience

Excellent communication skills, strong leadership and sound technical ability are mandatory. Fluency in a second European language is required.

Opportunities for career development within this progressive and dynamic group will only be limited by ability.

The position will require approximately 30% international travel.

Please send a full CV in confidence, quoting reference *number 231J on both letter and envelope,* and including details of current remuneration.

GKRS
SEARCH & SELECTION
CLAREBELL HOUSE, 6 CORK STREET, LONDON W1X 1PB. TELEPHONE: 071 287 2820
A GKR Group Company

Finance Managers

The core business of a major plc, this multi-million pound division is achieving significant profit growth, thanks to excellent standards of customer service, vigorous cost control and a capital investment programme of over £100 million.

As part of their strategic development, a progressive decentralisation over the next two years will create seven separate Business Units. Each will have a multi-discipline management team who will be accountable for the commercial success of the Unit.

As head of the finance function in one of these teams, your brief is to ensure that all aspects of financial management and control within the Business Unit operate effectively. Your colleagues will benefit from your expert professional advice and the provision of accurate, timely financial information to support their management decisions. But even more than this, you will bring your broader business skills and management experience to influence the massive change process required to move to the devolved structure.

A graduate, qualified accountant probably still in your early thirties, your track record of success will have been achieved in a culture where continuous improvement and customer satisfaction are paramount. Excellent communication, influencing and other interpersonal skills will enable you quickly to establish credibility and effective working relationships, not only in the Business Unit but also at Divisional level.

The reward package (which includes relocation assistance where appropriate) reflects the importance of the role. Future opportunities for personal growth and development within the Group are excellent. Take the first step by sending a comprehensive CV (including current salary details) to **Andrew Burke, Macmillan Davies, Colston Centre, Colston Street, Bristol BS1 4UX.**

influential management roles for ambitious accountants

various locations – Midlands & Northern Home Counties

c. £32,000 plus car & benefits

Macmillan Davies
SEARCH & SELECTION

LEOMINSTER MARCHES HOUSING ASSOCIATION

FINANCE DIRECTOR

Salary up to £35,000 (inc. PRP)

LMHA has been set up to receive the transfer of 1870 properties from Leominster District Council. Tenants have been balloted and have voted overwhelmingly in favour of the transfer, which is scheduled to take place early next year. The Association is now being established, and is seeking its first Finance Director.

We need a skilled professional to lead our Finance team and, as an important member of the Senior Management Team, to help build and develop the Association into one of the leading social housing providers in the West Midlands. A recognised qualification and housing association experience would be desirable.

The job will be demanding, and you will need to demonstrate a strong commercial awareness, have an ability to manage a substantial loan portfolio, and be able to deliver results.

The rewards are an excellent remuneration package including contributory pension scheme and relocation allowance, the opportunity to work in a delightful rural area, and the chance to make a positive contribution towards the creation of a new organisation.

For an application form contact Liz Rogers on 0568 610470 (Fax 0568 610993). If you wish to have an informal chat about the post before applying, ask to speak to Irene Usher, LMHA's Managing Director, on the same number. Closing date for applications - 25th October.

LEOMINSTER MARCHES HOUSING

LMHA is committed to Equality of Opportunity. We welcome applications from all races, both sexes and people with disabilities. The Association wishes it to be known that it is a non-smoking organisation.

ASSISTANT FINANCE DIRECTOR

— Corporate Finance

Central London — **up to £40,000 + car + benefits**

Our client, a plc backed by blue chip institutional investors, is currently undertaking an ambitious expansion programme to realise new market opportunities in a re-emerging sector, and plans to double its market capitalisation by the end of 1993. As this will largely be through acquisition, corporate finance will be an integral part of its overall growth strategy for the group. A number two to the Finance Director is now required to play a key role in all aspects of the development programme.

You will need to demonstrate a broad range of corporate finance experience, which includes advising on acquisitions and regulatory requirements, appraising risk and structuring complex deals. In addition, these skills must be matched by your effectiveness in helping to manage day to day operational accounting and finance and company secretarial activities.

A young (26-35) ACA, you will have gained first class, wide ranging corporate finance experience. With an incisive mind, an eye for detail and a commercial outlook, you must also have well-developed communication and presentation skills. As you will be expected to make an immediate contribution, high levels of energy, enthusiasm and commitment will be needed to ensure success.

If you feel you have the necessary skills to meet this challenge, please send an up to date résumé, including daytime telephone number and current salary details, quoting reference 3328, to Sue Atkinson, Touche Ross Executive Selection, at the address below.

Touche Ross
Deloitte Touche Tohmatsu International

MANAGEMENT CONSULTANTS
Hill House, 1 Little New Street, London EC4A 3TR.

Head of Finance

City Livery Company — c£45,000

As one of the foremost Livery Companies in the City of London, our client has an outstanding record of establishing high standards of integrity in support of its industry and craft. The Company has a trading division and also manages several charitable trusts as well as a property and investment portfolio.

In addition to routine accounting, the role will focus on providing advice and management information to the Clerk (Chief Executive) and the Wardens (Board), particularly in respect of the Company's day to day transactions, management and taxation issues associated with investments and property and the administration of charitable donations. The incumbent will also advise on personnel affairs.

The ideal candidate must be a qualified accountant who has gained a wide range of financial and tax experience within a substantial organisation. In addition, the ability to communicate easily at all levels combined with strong interpersonal and business skills is essential.

Please send full career and remuneration details including telephone contact numbers and quoting reference 9009 to Stephen Fletcher at the address below.

KPMG Selection & Search
1-2 Dorset Rise, Blackfriars, London EC4Y 8AE

Hanson PLC

Financial Comptroller

Hanson PLC requires an ambitious Financial Comptroller to join its small central management team based in London.

Hanson PLC is one of the foremost growth companies of the last two decades and is committed to a continuation of this growth both organically and by acquisition in the UK and the USA where half the group's businesses are located.

Many of the senior management positions in the group have been filled in the past from members of the central team and the position therefore offers enormous scope for an ambitious and energetic accountant.

The successful applicant, male or female, will be a chartered accountant, 30-35 with a good academic background and progressive experience in practice and industry.

A good salary commensurate with the job will be paid and generous fringe benefits, including car and share options are available.

**Applications should be made to:
The Financial Director, Hanson PLC,
1 Grosvenor Place, London SW1X 7JH**

FINANCIAL ACCOUNTANT

Qualified/Part Qualified Accountant required for lighting manufacturing company. Experience of Import/Export documentation and ability to use Pegasus accounting modules helpful but not essential.

The company has over a period of 35 years established itself as one of the world's leaders in the manufacture of decorative light fittings.

We offer a generous package commensurate with age and experience. Apply with CV to: The Financial Director, Montrose International, Unit 10, Ponders End Industrial Estate, Duck Lees Lane, Enfield EN3 7NJ

Circle 33 is one of the largest developing associations in South Britain with a successful track record in urban regeneration and innovative housing projects. It is currently implementing extensive upgrading of internal systems to ensure a housing service for its tenants which is second to none. The following post is currently based at our Head Office in Kings Cross, which will be moving to Highbury at the end of 1993.

33

FINANCIAL CONTROLLER

c. £35,000

Reporting to the Finance Director your major objective will be to provide effective, efficient management of the financial and management accounting functions of the Trust whilst offering guidance to all levels of operating managers.

Your responsibilities will take in supervising and overseeing financial accounts, management accounts, rent accounting and Hostels/Residential Care/subsidiaries.

Applicants for this senior role will be Chartered, Certified or cost management qualified and have a minimum five years post qualification experience preferably gained from within a housing association background. A proven track record in staff management is essential.
REF: FIN/KX/103

Closing date: Friday 22nd October 1993.

1st interviews will be held on: Friday 5th November 1993.
2nd interviews: Wednesday 10th November 1993.

For an application form and further information on the above position please telephone our 24 hour Answering Service on 0923 779129 quoting the reference number.

Circle 33 is an equal opportunities employer and we therefore welcome applications from all. We will not discriminate on grounds of race, sex, creed or sexual orientation and we particularly welcome applications from people with disabilities.

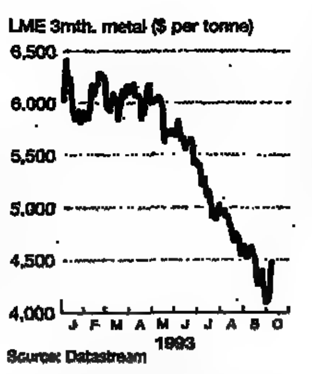
IA7934

APPOINTMENTS WANTED

COMMODITIES AND AGRICULTURE

Nickel prices rally on output cut speculation

By Bernard Simon in Toronto and Richard Mooney in London



Source: Datastream

NICKEL PRICES continued this week's rally at the London Metal Exchange yesterday as speculation grew of an impending production cut announcement by Inco of Canada, the biggest producer of the metal.

The three months price touched $4,555 a tonne before being trimmed back by profit-taking to close at $4,487.50, up $170 on the day, $375 on the week so far and $447.50 from the 6¾-year low reached seven days before.

At Inco's Toronto headquarters yesterday a company official said that talks begining today with unions on further output reductions at operations in Ontario and Manitoba were expected to be completed next week.

An outline of the company's proposals was due to be published late yesterday. Measures under consideration include a four-day working week, extended Christmas shutdowns and workforce reductions.

Mr Ted Arnold, analyst at the Merrill Lynch group in London, suggested that such moves might hold the market at present levels but would not be enough to lift it out of its depression. "What the market needs is a convincing cutback announcement," he said. Mr Wiktor Bielski, at Bain and Company, agreed. "These would not be real cuts," he said. "They could quickly be reversed if prices started rising."

There appears to be some disagreement, moreover, among unions at Thompson, Manitoba and Sudbury, Ontario, on what form the cuts should take.

"We're going to try and satisfy different people with different things," the Inco official said. The 1,700 workers at Thompson last month ratified a new three-year contract that included a three-year wage freeze.

The nickel market has been suffering over the past two years from persistent overproduction as demand for the metal has sagged, especially from stainless steel manufacturers, who account for about 60 per cent of consumption. This has swollen world stocks to a level equivalent to 22 weeks consumption.

The resulting price slide has eliminated profit margins for all but the lowest-cost production units. "No western producer is making money at these levels," said Mr Bielski. Inco suffered a US$2.2m loss in the second quarter of this year when the nickel price averaged US$2.93 a lb – 90 cents above the current level.

Russia insists on reciprocal aluminium cuts

By Leyla Boulton in Moscow

RUSSIA, which later this month will host an international conference of major aluminium producers and consumers to thrash out a multilateral solution to the row over its exports, denies that it has offered to restrict its own exports unilaterally.

Officials say Russia has told the European Commission, which has imposed curbs on Russian imports, that it is prepared to cut its exports only if western producers undertake similar "self-restrictions".

"This problem cannot be solved unilaterally," Mr Eduard Borovikov, the foreign trade ministry's specialist on relations with the European Community, said this week.

Mr Vladimir Kondratiev, an official at Concern Aluminiy, which groups major Russian aluminium plants, said that Mr Sergei Znamensky, its director for foreign trade, had told commission officials in Brussels last month: "We agree to cut our production of aluminium only if at the same time other producers do the same".

Mr Kondratiev also categorically denied rumours that the Bratsk and Krasnoyarsk plants had left Concern Aluminiy, and added that Mr Igor Prokopov, the company's president, had not been present at the Brussels talks.

The so-called "safeguard action" imposed by the commission in August restricts Russian imports to 60,000 tonnes until the end of the year. The US and Canada protested against the EC restrictions, saying it would simply divert a flood of cheap metal their way. The EC measures have had no effect on world aluminium prices, which have fallen because of continuing excess supply the world over.

Asked to clarify Russian production figures, Mr Borovikov said the EC had already agreed that negotiations on any production cuts would cover only Russian exports of aluminium destined for end-users – amounting to an annual 300,000 to 350,000 tonnes – and exclude another 182,000 tonnes destined for further processing at metallurgical plants within the European Community.

Mr Borovikov said that an initial conference, to be held on October 20-21 would gather Russia, the EC, the US and Canada.

Russia had already agreed with the European Commission to establish system of "double checking" to monitor illegal exports through other former Soviet republics, he said, estimating that these totalled about 150,000 tonnes a year.

Mr Borovikov laid the blame for the appearance of cheap Russian aluminium in Europe mainly on these exports, which Russia had been unable to control partly because of the absence of effective border controls following the collapse of the Soviet Union in 1991.

"This is a very big problem," he said. "Any trader from Latvia can come to Moscow and buy aluminium at the lower domestic price and then ship it through Riga [Latvia's capital and a major port]." He admitted that another problem was corruption among Russian customs officials, who could be bought to turn a blind eye to unlicensed exports out of Russia.

But he said that Russia had a much better grip on the situation than before, partly because the gap between Russia's internal price and world prices was rapidly narrowing as a result of higher Russian energy prices. Cheap Russian energy and lax environmental standards were cited by EC producers as giving Russian producers an unfair advantage. Many Russian plants are badly in need of re-equipping to meet Russia's existing environmental standards. But at a time when the country is undertaking radical market reforms being urged upon it by the west, officials say it is unrealistic to expect it to make unilateral sacrifices.

The closing of western markets to competitive Russian exports, especially when Russia has opened its market to competitive western goods and services such as banking, is also seen as hugely hypocritical on the part of western countries.

A wider conference on the aluminium problem in November would include other producers like Ukraine, the only other major producer in the Commonwealth of Independent States, and other western producers such as Norway.

Cocoa 'bloodbath' continues

By Richard Mooney

COCOA FUTURES prices fell sharply again in a continuation of what one analyst called this week's "blood bath".

As the March position at the London Commodity Exchange fell to £911 a tonne, adding £39 to Wednesday's £21 setback, Mr Lawrence Eagles of the GNBI trading house, said some traders were talking about the slide continuing to about £850 a tonne. "And when they talk about a figure it usually goes further, he said. "I would not rule out a fall to £830."

He said there had been no change in the market's fundamentals, which were still clearly bullish in the long term. But actual supply shortage – as against bouts of temporary tightness – resulting from the continuing stocks drawdown could not be expected to make itself felt until 1995.

Mr Eagles suggested that many operators thought the market had become "a bit overblown" as the March position climbed to Monday's 40-month high of £983 a tonne. The final push to that level appeared to have been fuelled by "the last of the bulls", he said, and when there was no follow through the selling began in earnest.

● An extra margin call was made to all long-holders in the cocoa market after it fell the £40 permissible daily limit in the morning, clearing house and exchange officials said.

"This is entirely normal, however, when the move in one day exceeds the size of the margin," one told the Reuter news agency.

Platinum 'largely in balance'

Johnson Matthey executive director Mr C.R.N. Clark believes the world platinum will be largely in balance this year but slightly in deficit in 1994, reports Reuter from Tokyo.

He said that global 1993 platinum demand would be about 4m ounces, compared with 3.8m ounces in 1992.

"I heard from our expert that there's no more surplus stocks [in Russia] and they are merely selling what they usually mine in a normal year," Mr Davies said.

Johnson Matthey officials said normal annual production there was estimated at about 500,000 ounces.

Russian platinum sales would continue lower because of lower world prices and lower national stocks, Mr Clark said. "Russian sales will be slightly depressed from the level of the last two years."

The country sold 1.1m ounces of platinum in 1991 and 750,000 ounces in 1992, an exceptional release of stocks in order to obtain hard currency, JM chairman Mr David Davies said.

Mr Clark and Mr Davies are visiting Japan to attend the opening of a technology centre in Tochigi prefecture north-east of Tokyo.

Demand for rhodium, the rare metal recovered with platinum, should begin to pick up as buying from car manufacturers resumes, Mr Clark said.

"Now that worldwide stocks of car makers have been reduced and are at minimum levels, buying should start again," he explained."

Ecuador's banana crisis does not materialise

By Ray Colitt in Quito

CONTRARY TO forecasts by industry experts, Ecuador's banana exports did not plummet in response to the European Community's import restrictions. In fact exports up to the end of September were slightly up on the same period last year.

The recovery of the world's largest banana exporter comes after sales earlier this year slumped considerably in anticipation of the EC restrictions.

Between January and September of 1993 exports totalled 1.978m tonnes, just over the 1.977m tonnes exported during the first seven months of 1992.

The sales increase for Ecuadorian bananas in the world market is partially in compensation for production losses in central America, where Hurricane Gert destroyed large tracts of banana plantations. Meanwhile, new markets in Asia and the Middle East helped to offset losses caused by EC restrictions.

At the same time Ecuadorian bananas have become more competitive worldwide. According to Mr Jose Riofrio, head of promotion and marketing for bananas in the ministry of agriculture, the government's price decrease of 40 US cents a box, nearly 9 per cent, in June has had a beneficial effect on sales of the country's fruit.

In addition, Ecuador has increased its productivity by phasing out inefficient plantations and has reduced the cost of fumigation. While the area cultivated was reduced from 140,000 hectares last year to 103,000 hectares by this September, production during that period actually increased slightly.

Earlier this year the Union of Banana Growers and Exporters, representing central America and Columbia, had criticised Ecuador, which had increased its banana cultivation area by 30 per cent since 1991, for oversupplying the market.

Reductions in unit costs will not be sufficient to enable the producers to sustain the June reduction in the price they are paid by exporters. Producers and exporters are to meet shortly with minister of agriculture, Mariano Gonzalez to discuss the new price adjustments. The National Banana Association has demanded that the reference price paid to producers for a box of bananas be raised back to US$4.50 from $4.10. It is unlikely, however, that this will happen.

While producers have taken a cut in revenues the country has not experienced anything like the forecasted sales crisis. Government estimates had placed potential losses resulting from EC import restrictions at $70m a year. Now the government forecasts that total exports for this year will be between 2.52m and 2.55m tonnes, up from 2.51m in 1992.

Silver takes the lead in precious metals market

By Richard Mooney

SILVER continued to outshine other precious metals at the London bullion market yesterday as prices responded to overnight, options-related buying at the New York Commodity Exchange (Comex).

The London price ended at 435 US cents a troy ounce, up 435 cents, following Wednesday's 16-cent advance.

Many investors see the outlook for the silver market as bullish, based on the present supply deficit, variously estimated at between 350 and 500 tonnes a year. But Mr WEiktor Bielski, analyst at Bain and Company, points out that stocks in Comex warehouses amount to about 275m ounces, equivalent to about 6 months supply of the metal. And he suggests that, before continuing deficits have eaten into this total significantly rallies in lead and zinc prices may have brought brought mothballed lead/zinc mines back into production and with them extra silver by-product.

The gold price moved higher in silver's wake yesterday, closing in London at $357.70 an ounce, up $1.95 on the day. That wiped took the price to the highest closing level for more than four weeks.

Russia's Black Sea oil shipments fall by 20 per cent

By Robert Corzine

THE VOLATILITY which has characterised Russian oil exports this year appears to be continuing, with shipments from the Black Sea in the first week of October down about 20 per cent from the September average of 700,000 barrels a day, according to shipping agents in London quoted by the Reuters news agency yesterday.

"The Russians are not able to confirm dates when customers can lift crude from Novorossiisk," an Italian refiner said.

The weather in the area has been bad and Novorossiisk, the leading crude export terminal, was closed on Tuesday because of high winds and swells. Weather problems have also hit liftings of oil products, mainly gas oil, from Tuapse and Odessa, other Black Sea ports.

Traders also reported that there were logistical problems at Russian crude-gathering centres and local transportation difficulties, although one analyst at a western oil company said he "didn't see why logistics should have suddenly broken down".

He added, however, that "we don't expect exports to be smooth under present conditions" affecting the Russian oil industry.

Precise data is unavailable but lack of investment and technical problems in many Russian fields has caused production to decline steadily this year.

Last month an oil industry forecasting group, Asotek, predicted Russian production in 1994 would be 327m tonnes, sharply below this year's forecast range of 340m to 350m tonnes.

● The Miskar gas field off Sfax on the Tunisian coast was inaugurated yesterday by British Gas, which is developing the £492m project. Completion of the project should make Tunisia self-sufficient in natural gas.

Total, the French oil company, yesterday launched a feasibility study for the construction of a second refinery unit to make up to 50,000 tonnes a year of the ETBE "green fuel" additive out of surplus agricultural crops, writes David Buchan in Paris.

The company had already started in July a study of a joint project with Eridania Béghin-Say, the food company, and the French associations of wheat and sugar beet growers to build a first refining unit of 50,000 tonnes a year of the additive, which can replace lead as an octane-enhancer in petrol and is seen as an increasingly useful outlet for French farm surpluses.

Total's partners in the second project, which would also be in one of the oil company's existing refineries in Normandy or northern France, are the beet and wheat growers, plus the Ethanol Union, a group of some 19 distillers of ethanol out of sugar.

Total said yesterday that it would next month be making a final decision on the two projects, which are very roughly estimated to cost about FFr50m (£5.7m) each. If both projects get the green light, Total's biocarburant output might eventually overtake that of its French rival, Elf-Aquitaine, whose Feyzin refinery near Lyons currently has a capacity to turn out 75,000 tonnes of ETBE a year.

But Total warned that it first wanted some long-term assurance from the French government that the present tax exemption for biocarburants, first introduced in the 1992 budget, would be maintained for the life of its ETBE units.

WORLD COMMODITIES PRICES

MARKET REPORT

COPPER prices held in a narow range at the London Metal Exchange and ended slightly lower, with the three months position at at $1,695 a tonne, a loss of $4. The market now looks to be trying to consolidate at present levels following its recent inability to overcome overhead resistance and producer selling above $1,700. Three months ZINC at one staged reached a low of $898 tonne but sizeable trade buying aided a recovery back up to $906, a loss of $8. ALUMINIUM, boxed in a narrow $4 range found little impetus to move away from recent levels amid the lack of metal-related news and producer action. Last business for three months was at $1,112 a tonne, a loss of $3. Support on dips to around $1,110 remained evident. LEAD edged higher on short-covering following recent trade buying attracted by recent low levels. Last business was at $381 for three months metal, a gain of $5 from Wednesday's finish. TIN finished higher following dealer short-covering, with the sharp rise in nickel appearing to aid the rise. The continuing strike at Brazil's largest tin mine also helped to underpin the market.

Compiled from Reuters

London Markets

SPOT MARKETS

Crude oil (per barrel FOB)(Nov)		+ or -
Dubai	$15.05-5.07z	-0.045
Brent Blend (dated)	$16.90-6.92	-0.030
Brent Blend (Nov)	$17.15-7.17	-0.080
W.T.I (1 pm est)	$18.46-8.48z	-0.130
Oil products (NWE prompt delivery per tonne CIF)		+ or -
Premium Gasoline	$187-189	
Gas Oil	$178-179	+1
Heavy Fuel Oil	$60-62	
Naphtha	$158-160	
Petroleum Argus Estimates		
Other		+ or -
Gold (per troy oz)♣	$357.70	+1.95
Silver (per troy oz)♣	435.0c	+15.50
Platinum (per troy oz)	$363.35	+3.75
Palladium (per troy oz)	$126.85	+2.35
Copper (US Producer)	85.5c	-0.5
Lead (US Producer)	33.50c	
Tin (Kuala Lumpur market)	11.13m	+0.15
Tin (New York)	209.5c	+4.5
Zinc (US Prime Western)	62.0c	
Cattle (live weight)†	118.30p	-3.46*
Sheep (live weight)†♠	80.33p	-0.47*
Pigs (live weight)†	64.74p	+0.34*
London daily sugar (raw)	$272.4	+4.8
London daily sugar (white)	$293.5	+6.0
Tate and Lyle export price	£290.0	+2.0
Barley (English feed)	Unq	
Maize (US No. 3 yellow)	£120u	
Wheat (US Dark Northern)	£168.5u	
Rubber (Nov)♥	59.25p	-0.25
Rubber (Dec)♥	59.50p	-0.25
Rubber (KL RSS No 1 Jul)	201.0m	+0.8
Coconut oil (Philippines)§	$407.5v	-5.0
Palm Oil (Malaysian)§	$330.0z	-5.0
Copra (Philippines)§	$270.0	
Soyabeans (US)	£196.0u	+0.5
Cotton "A" Index	55.20c	
Wooltops (64s Super)	323p	

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. z-Nov v-Nov/Dec u-Oct t-Sep/Oct x-Dec ♥London physical. §CIF Rotterdam. ♣ Bullion market close. m-Malaysian cents/kg.♠Sheep prices are now live weight prices * change from a week ago, provisional prices.

CRUDE OIL - IPE ($/barrel)

	Latest	Previous	High/Low	
Nov	17.16	17.07	17.25	17.06
Dec	17.36	17.29	17.43	17.29
Jan	17.53	17.48	17.58	17.44
Feb	17.69	17.59	17.69	17.57
Mar	17.70	17.76	17.74	17.60
IPE Index	17.14	17.02	17.14	

Turnover 18690 (33700)

GAS OIL - IPE ($/tonne)

	Close	Previous	High/Low	
Oct	173.50	173.25	173.75	172.25
Nov	174.00	174.00	174.00	173.00
Dec	174.50	174.50	174.50	173.50
Jan	174.50	174.75	174.75	173.50
Feb	173.25	173.50	173.50	173.00
Mar	171.50	172.00	171.75	171.50
Apr	169.75		169.75	169.00
May	168.25	168.50	168.50	168.00
Jun	166.75	167.25	167.25	166.75
Jul	167.75		169.00	

Turnover 13149 (11019) lots of 100 tonnes

SUGAR - LCE ($ per tonne)

White	Close	Previous	High/Low	
Dec	280.80	281.80	284.50	279.00
Mar	282.40	284.00	287.00	280.80
May	285.40	285.10	288.50	283.50
Aug	289.40	288.60	293.00	289.00
Oct	281.10	281.00	284.00	279.90

Turnover 1378 (1367) Paris- White (FFr per tonne): Dec 1596.00 Mar 1614.03

FRUIT & VEGETABLES

Pears are this week's best fruit buy. English, Dutch and Belgian conference pears are 25-50p a lb (25-50p) reports the FFVIB. While English and Dutch comice pears are 40-65p a lb (40-65p). Spanish pomegranates are also good value at the moment at 15-20p each (20-35p). English & Dutch leeks at 40-65p a lb (40-65p) are this weeks best vegetable buy. Other good buys include English corn-on-the-cob at 15-30p per cob, and English broccoli at 55p-£1.20 a lb (55p-£1.20). English and Dutch cucumbers are a good salad buy at the moment at 45-60p each (50-60p) along with English celery at 30-60p a head (25-60p).

No.7 RAW SUGAR - LCE (cents/lbs)

	Close	Previous	High/Low	
Mar	10.73	11.06	11.12	10.73
May	11.10	11.16	11.15	11.10
Jul	11.20	11.43	11.48	11.30

Turnover 375 (409) lots of 50 tonnes.

COCOA - LCE (£/tonne)

	Close	Previous	High/Low	
Dec	879	933	913	877
Mar	911	950	[illegible]	900
May	919	954	936	910
Jul	923	958	936	916
Sep	926	957	937	918
Dec	926	959	939	930
Mar	924	958	945	921
May	927	962	945	921
Sep	936	973	[illegible]	[illegible]

Turnover: 14981 (10278) lots of 10 tonnes
ICCO indicator prices (SDRs per tonne). Daily price for Oct 6 927.81 (944.18) 10 day average for Oct 7 921.38 (921.53)

COFFEE - LCE ($/tonne)

	Close	Previous	High/Low	
Nov	1151	1141	1158	1143
Jan	1161	1148	1170	1147
Mar	1157	1141	1166	1145
May	1152	1137	1161	1143

Turnover: 2133 (2591) lots of 5 tonnes
ICO indicator prices (US cents per pound) for Oct 6 Comp. daily 65.54 (68.41) 15 day average 70.06 (70.62)

POTATOES - LCE (£/tonne)

	Close	Previous	High/Low	
Apr	90.9	89.2	92.5	90.0
May	104.3	104.0	105.0	

Turnover 126 (76) lots of 20 tonnes.

FREIGHT - LCE ($10/index point)

	Close	Previous	High/Low	
Oct	1420	1419	1422	1420
Nov	1435	1433	1435	
Jan	1430	1427	1430	1425
BFI	1402	1402	1398	

Turnover 57 (115)

GRAINS - LCE (£/tonne)

Wheat	Close	Previous	High/Low	
Nov	100.00	99.65	100.00	99.50
Jan	101.50	100.75	101.25	100.65
Mar	103.50	102.75	103.50	102.80
May	105.50	104.60	105.60	104.85
Barley	**Close**	**Previous**	**High/Low**	
Nov	101.75	102.00	101.75	101.75
Jan	104.00	104.00	103.75	103.75
Mar	105.75	105.95	106.25	105.75
Nov	94.00		95.50	95.50

Turnover: Wheat212 (217) Barley 52 (46)
Turnover lots of 100 Tonnes.

LONDON METAL EXCHANGE (Prices supplied by Amalgamated Metal Trading)

	Close	Previous	High/Low	AM Official	Kerb close	Open interest
Aluminium, 99.7% purity ($ per tonne)						Total daily turnover 25,312 lots
Cash	1091.5-2.5	1093.5-4.5	1091	1091-1.5		
3 months	1111.5-2.0	1114-5	1114/1110	1110.5-11.0	1111-11.5	240,546 lots
Copper, Grade A ($ per tonne)						Total daily turnover 54,380 lots
Cash	1674-5	1672.5-3.5	1670/1669	1668-9		
3 months	1697-7.5	1697-8	1699/1691	1691-2	1696-6	175,690 lots
Lead ($ per tonne)						Total daily turnover 5,222 lots
Cash	365-6	360-1		366-6.5		
3 months	379-9.5	373-4	381/377	380-80.5	381-1.5	22,834 lots
Nickel ($ per tonne)						Total daily turnover 15,052lots
Cash	4435-40	4265-70	4500/4490	4500-5		
3 months	4485-90	4315-20	4600/4300	4520-50	4480-90	46,324 lots
Tin ($ per tonne)						Total daily turnover 5,605 lots
Cash	4605-10	4475-85		4598-602		
3 months	4650-55	4525-30	4690/4520	4647-8	4675-80	11,038 lots
Zinc, Special High Grade ($ per tonne)						Total daily turnover 9,395 lots
Cash	890-1	899-900		893-4		
3 months	905-6	914.5-5.0	914/898	910-11	905-7	82,436 lots

LME Closing £/$ rate: SPOT: 1.5225 | 3 months: 1.5134 | 6 months: 1.5043 | 9 months: 1.4976

LME AM Official £/$ spot rate 1.5200

LONDON BULLION MARKET (Prices supplied by N M Rothschild)

Gold (troy oz)	$ price	£ equivalent
Close	357.50-357.90	
Opening	356.40-356.80	
Morning fix	356.90	233.757
Afternoon fix	357.30	234.168
Day's high	358.75-359.25	
Day's low	356.60-357.00	

Loco Ldn Mean Gold Lending Rates (Vs US$)

1 month	2.75	6 months	2.69
2 months	2.73	12 months	2.69
3 months	2.70		

Silver fix	p/troy oz	US cts equiv
Spot	283.85	433.00
3 months	287.45	436.10
6 months	291.40	439.60
12 months	299.05	447.25

GOLD COINS

	$ price	£ equivalent
Krugerrand	356.00-358.00	232.00-235.00
Maple leaf	367.95-370.30	-
New Sovereign	83.00-86.00	53.00-56.00

TRADED OPTIONS

Aluminium (99.7%)	Calls		Puts	
Strike price $ tonne	Nov	Feb	Nov	Feb
1075	31	58	5	12
1100	15	42	14	21
1125	6	29	30	32
Copper (Grade A)	**Calls**		**Puts**	
1650	50	80	17	35
1700	23	62	40	56
1750	9	41	75	84
Coffee LCE	**Nov**	**Jan**	**Nov**	**Jan**
1100	70	103	19	42
1150	40	78	39	65
1200	21	56	70	94
Cocoa LCE	**Dec**	**Mar**	**Dec**	**Mar**
875	38	82	34	46
900	28	68	49	57
925	20	58	66	72
Brent Crude	**Nov**	**Dec**	**Nov**	**Dec**
1700	26	-	5	25
1750	4	38	-	50
1800	1	19	-	80

New York

GOLD 100 troy oz.; $/troy oz.

	Close	Previous	High/Low	
Oct	356.8	356.4	359.0	356.7
Nov	357.5	357.2	0	0
Dec	358.5	358.2	360.8	358.2
Feb	360.2	359.9	362.4	360.0
Apr	361.9	361.6	364.1	361.8
Jun	363.6	363.3	365.8	364.2
Aug	365.4	365.0	0	0
Oct	367.2	366.8	368.0	368.0
Dec	369.0	368.6	370.2	369.5

PLATINUM 50 troy oz; $/troy oz.

	Close	Previous	High/Low	
Oct	361.7	363.5	365.0	364.0
Nov	363.0	363.0	0	0
Jan	363.4	366.1	367.7	361.5
Apr	365.2	367.9	367.0	365.0
Jul	366.4	369.1	369.0	369.0
Oct	367.9	370.6	0	0

SILVER 5,000 troy oz; cents/troy oz.

	Close	Previous	High/Low	
Oct	436.2	438.5	0	0
Nov	[illegible]	428.5	0	0
Dec	438.3	428.7	440.0	431.5
Jan	[illegible]	429.9	440.0	436.0
Mar	442.6	432.9	445.0	436.0
May	445.6	435.8	449.0	438.5
Jul	448.5	438.6	450.0	445.0
Sep	451.3	441.3	452.0	448.0
Dec	455.5	445.7	455.0	449.0
Jan	457.0	446.9	0	0

HIGH GRADE COPPER 25,000 lbs; cents/lbs

	Close	Previous	High/Low	
Oct	74.50	74.40	74.50	74.50
Nov	74.85	74.75	75.10	74.85
Dec	75.20	75.10	75.90	75.10
Jan	75.45	75.35	76.20	75.95
Feb	75.75	75.65	0	0
Mar	76.00	75.95	76.35	76.00
Apr	76.25	76.20	0	0
May	76.50	76.45	77.10	76.80
Jun	76.75	76.70	77.30	77.00
Jul	77.00	76.95	77.70	77.30

CRUDE OIL (Light) 42,000 US galls $/barrel

	Latest	Previous	High/Low	
Nov	18.49	18.42	18.57	18.36
Dec	18.67	18.62	18.75	18.57
Jan	18.79	18.75	18.86	18.73
Feb	18.88	18.87	18.97	18.84
Mar	19.00	18.97	19.07	18.95
Apr	19.12	19.05	19.13	19.04
May	19.23	19.13	19.12	19.12
Jun	19.25	19.20	19.27	19.20
Jul	19.25	19.25	19.30	19.25
Aug	19.30	19.30	0	0

HEATING OIL 42,000 US galls, cents/US galls

	Latest	Previous	High/Low	
Nov	56.00	55.81	56.00	55.65
Dec	56.85	56.72	57.05	56.50
Jan	57.25	57.10	57.35	56.90
Feb	57.15	57.00	57.20	56.90
Mar	56.10	55.95	56.15	55.75
Apr	54.75	54.70	54.75	54.70
May	53.50	53.60	53.50	53.50
Jun	53.00	53.05	0	0
Jul	53.30	53.17	53.20	53.20
Aug	53.80	53.77	53.80	53.80

COCOA 10 tonnes;$/tonnes

	Close	Previous	High/Low	
Dec	1118	1146	1124	1090
Mar	1158	1186	1162	1131
May	1174	1197	1180	1150
Jul	1192	1216	1200	1176
Sep	1209	1232	1225	1195
Dec	1221	1244	1232	1210
Mar	1231	1257	1239	1215
May	1246	1282	1246	1227
Jul	1258	1295	0	0

COFFEE "C" 37,500lbs; cents/lbs

	Close	Previous	High/Low	
Dec	72.05	72.05	73.00	71.50
Mar	74.55	74.60	75.35	74.10
May	75.80	75.75	76.50	75.75
Jul	77.10	77.15	77.90	77.25
Sep	78.40	78.60	79.00	78.20
Dec	80.60	80.70	0	0
Mar	84.00	83.50	0	0

SUGAR WORLD "11" 112,000 lbs; cents/lbs

	Close	Previous	High/Low	
Mar	10.60	10.67	10.90	10.49
May	10.75	10.95	10.95	10.61
Jul	10.82	10.99	10.95	10.68
Oct	10.82	11.00	10.94	10.75

COTTON 50,000 lbs; cents/lbs

	Close	Previous	High/Low	
Oct	57.48	57.73	57.70	57.50
Dec	58.68	58.80	58.95	58.51
Mar	60.27	60.35	60.40	60.10
May	60.90	61.02	60.90	60.75
Jul	61.56	61.70	61.42	61.42
Oct	61.75	61.75	0	0
Dec	61.75	62.00	61.75	61.50
Mar	62.50	62.75	0	0

ORANGE JUICE 15,000 lbs; cents/lbs

	Close	Previous	High/Low	
Nov	128.60	128.25	129.85	128.20
Jan	129.85	130.50	131.20	129.40
Mar	131.35	132.00	132.25	130.75
May	132.35	133.00	133.00	133.00
Jul	133.35	133.90	132.80	132.80
Sep	133.85	134.40	134.50	134.50
Nov	132.35	133.00	0	0
Jan	132.35	133.00	0	0
Mar	132.35	133.00	0	0

INDICES

REUTERS (Base:September 18 1931 = 100)

Oct 7	Oct 6	mnth ago	yr ago
1574.6	1576.6	1630.0	1588.3

DOW JONES (Base: Dec. 31 1974 = 100)

	Oct 6	Oct 5	mnth ago	yr ago
Spot	117.55	117.66	121.70	113.42
Futures	125.40	125.80	128.26	114.83

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel

	Close	Previous	High/Low	
Nov	610/4	606/4	614/0	606/4
Jan	617/2	613/4	620/4	613/0
Mar	623/4	620/2	627/2	620/0
May	628/0	624/4	630/4	625/0
Jul	631/2	628/6	636/0	629/0
Aug	630/6	629/4	633/0	629/0
Sep	620/4	621/0	622/0	620/0
Nov	612/6	614/0	617/0	612/4

SOYABEAN OIL 60,000 lbs; cents/lb

	Close	Previous	High/Low	
Oct	22.50	22.53	22.66	22.45
Dec	22.61	22.61	22.80	22.52
Jan	22.70	22.73	22.89	22.62
Mar	22.85	22.84	23.00	22.75
May	22.85	22.85	23.05	22.82
Jul	22.80	22.80	23.05	22.80
Aug	22.65	22.63	22.85	22.65
Sep	22.55	22.50	22.70	22.50

SOYABEAN MEAL 100 tons; $/ton

	Close	Previous	High/Low	
Oct	190.3	189.0	191.1	189.0
Dec	189.5	188.4	190.3	188.2
Jan	190.3	189.1	190.9	189.1
Mar	191.4	190.5	192.0	190.4
May	192.8	191.7	193.5	191.7
Jul	194.5	193.7	195.5	193.8
Aug	194.5	194.0	195.7	194.5
Sep	194.5	193.8	196.0	194.5

MAIZE 5,000 bu min; cents/56lb bushel

	Close	Previous	High/Low	
Dec	241/4	238/2	242/0	238/2
Mar	249/4	246/4	250/0	246/6
May	254/0	251/6	255/0	251/6
Jul	256/6	255/0	257/6	255/0
Sep	251/4	250/6	252/6	251/0
Dec	245/4	245/4	247/4	245/2
Mar	252/0	252/0	0	0

WHEAT 5,000 bu min; cents/60lb-bushel

	Close	Previous	High/Low	
Dec	322/4	317/2	324/6	317/6
Mar	326/2	322/0	328/2	322/4
May	321/0	318/0	323/4	318/6
Jul	310/0	309/4	312/0	309/2
Sep	315/0	314/0	315/0	315/0
Dec	324/0	323/0	324/0	324/0

LIVE CATTLE 40,000 lbs; cents/lbs

	Close	Previous	High/Low	
Oct	72.050	71.825	72.225	71.675
Dec	73.925	73.625	74.225	73.425
Feb	74.725	74.675	75.000	74.450
Apr	75.875	75.875	76.050	75.650
Jun	72.400	72.275	72.560	72.150
Aug	71.150	71.075	71.350	71.000
Oct	71.650	71.600	71.700	71.500

LIVE HOGS 40,000 lb; cents/lbs

	Close	Previous	High/Low	
Oct	49.850	49.325	900	0
Dec	50.475	50.225	50.500	50.025
Feb	49.950	49.825	50.000	49.525
Apr	47.500	47.425	47.575	47.200
Jun	51.850	51.750	51.850	51.525
Jul	50.500	50.350	50.550	50.250
Aug	49.175	49.225	49.200	49.100
Oct	45.300	45.300	0	45.000

PORK BELLIES 40,000 lbs; cents/lb

	Close	Previous	High/Low	
Feb	57.900	57.600	57.950	57.100
Mar	57.700	57.350	57.700	56.850
May	57.150	56.800	57.150	56.500
Jul	57.200	57.000	57.200	56.350
Aug	55.775	55.975	55.775	55.200

Footsie slips from its all-time high

By Terry Byland, UK Stock Market Editor

THE LONDON stock market responded cautiously to yesterday's speech by Mr Kenneth Clarke, chancellor of the exchequer, to the annual conference of Britains's governing Conservative party. After moving uncertainly during the trading session, the FT-SE failed to hold an early gain to close 8.4 down at 3,092.4, abandoning both the 3,100 mark and the all-time high on the Footsie Index reached in the previous session.

A calmer day in the stock index futures sector, together with a mixed bag of corporate trading statements took the heart out of the equity market. Early trading saw the Footsie bounce to 3,110.6 but the stock market then turned off as the bourses elsewhere in Europe showed unwillingness to extend the gains of the previous session.

At the day's low the Footsie was down by about 12 points to the 3,088 area. But selling pressure was moderate and traders expressed little surprise at what was seen as a bout of profit-taking after a strong rise in UK equity prices

The FT-SE Mid 250 Index, which covers a wider range of equities than the Footise, also lacked support, closing 1.1 down at 3,470.5, still more than 40 points short of the all-time high reached at the end of August.

But trading volume was lower in the market yesterday, with the Seaq volume total down to 572.1m shares from 697.4m on Wednesday. However, retail, or customer business, often regarded as the soundest guide to genuine investment activity, was worth £1.58bn on Wednesday. This total fully sustains the improvement in stock market activity which underpins the recovery in market indices over the past three months.

Interest-related stocks, such as retail and consumer issues, lagged the market yesterday despite the hopes that the chancellor of the exchequer might soon sanction a cut in domestic interest rates.

The stock market was also held back by renewed lack of support for the oil stocks as investors surveyed the prospect for crude oil prices following the easing of tensions in Russia. Losses in the blue chip oil stocks were mirrored by larger setbacks among some of the second line issues.

With currency markets also quieter yesterday, the international blue chips traced a less certain path. Pharmaceutical shares moved either side of overnight quotations without attracting much activity. Profit-taking hung over the blue chip sectors as stock index futures played a less active role in the equity market.

Political considerations continued to overhang the London stock market yesterday as the Conservative party conference unfolded in Blackpool, in the north of England. However, expectations of a cut in domestic interest rates have been largely postponed until the government budget, due in November. In the meantime, the political future for the Conservative government and for the prime minister, Mr John Major, remains a matter of uncertainty.

Nikko Europe believes that the UK chancellor of the exchequer "despite his protestations" may soon be able to justify an interest rate cut on other than political grounds, pointing out that the bullish outlook is premised on the the prospect of falling inflation nd short term interest rates across Europe.

TRADING VOLUME IN MAJOR STOCKS

Based on the trading volume for a selection of Alpha securities dealt through the SEAQ system yesterday until 4.30pm. Trades of one million or more are rounded down. † Indicates an FT-SE 100 Index constituent.

Account Dealing Dates

*First Dealings:	Sep 20	Oct 4	Oct 18
Option Declarations:	Sep 30	Oct 14	Oct 28
Last Dealings:	Oct 1	Oct 15	Oct 29
Account Day:	Oct 11	Oct 25	Nov 8

*New time dealings may take place from two business days earlier.

FT-SE Actuaries Share Indices — THE UK SERIES

FT-SE 100	FT-SE MID 250	FT-A ALL-SHARE
3092.4 -8.4	3470.5 -1.1	1530.42 -3.05

Tiphook tumbles further

FREIGHT and container rental group Tiphook's already poor stock market image suffered another blow yesterday when it surprised the market with the third profits warning within a year.

The company warned that it expects to make a loss when it reports interim figures in December, and added that its poor trading had put it in breach of certain of its banking covenants, although it was in talks with the banks about putting in place "appropriate facilities."

The announcement shortly after lunch sent the shares plunging, making it the day's biggest fall in the market and at the day's worst they were down a hefty 94 at 145p.

However, bargain hunters believed to have been from the US moved in, helping bring about a rally and the shares closed 70 down at 169p, in trade of 2.6m. Around 60 per cent of the stock is held by overseas investors, the majority of these in the US.

Mr Mike Stodddart, at Charter House Tilney Securities, a bear of the stock for the last two years had expected the company to make a loss at the interim stage and said: "The statement leaves as many questions as it answers especially with regard to the dividend."

Another researcher simply said: "UK funds are going to continue avoiding this stock."

NEW HIGHS AND LOWS FOR 1993

NEW HIGHS (170).
BRITISH FUNDS (2) Tr. 2pc I-L 1996, Tr. 2½pc I-L 2020, OTHER FIXED INTEREST (1) Utd. Mex. 16½pc Ln. 2008, AMERICANS (3) Citicorp, Lowe's, Sears Roebuck, BREWERS (1) Grosvenor Inns, BLDG MATLS (6) Derby, MB Caradon, Do. Pf., Marshalls, Meyer, Wolseley, BUSINESS SERVS (2) Hays, Johnson Cleaners, CHEMS (2) Halstead (J.), Schering, CONGLOMERATES (2) Grampian, TT, CONTG & CONSTRCN (8) AMEC, Abbey, Allen, Ashtead, CALA, Havelock Europa, Hewden-Stuart, McAlpine (A), ELECTRICALS (1) Thorpe (F.W.), ELECTRICITY (10) East Midlands, Eastern, Natl. Power, Northern, Nthn. Ireland, PowerGen, Seaboard, Sth. Wales, Southern, Yorkshire, ELECTRONICS (7) Amstrad, Eurotherm, Kewill, Macro 4, Phonelink, Polar, Sungard Data, ENG GEN (3) FKI, Fenner, Senior, HEALTH & HSEHOLD (1) Westminster Healthcare, HOTELS & LEIS (3) Granada, Do. Pf., Manchester Utd., INV TRUSTS (55) MEDIA (6) Euromoney, HTV, Sleepy Kids, VTR, Walmoughs, MERCHANT BANKS (2) Warburg (S.G.), Wintrust, MTL & MTL FORMING (2) Cook (Wm), Glynwed, MISC (6) Abbeycrest, Black (P), Brit. Bloodstock, Plantsbrook, Portmeirion Potts., Relyon, MOTORS (3) ABI Leisure, Bostrom, First Tech., OIL & GAS (1) Hardy, OTHER FINCL (7) EFT, Gerrard & Natl., Perpetual, Sharelink, Smith New Court, Do. Pf., Swire Pacific A, OTHER INDLS (3) Charter, Wilshaw, PACKG, PAPER & PRINTG (3) Arjo Wiggins Appleton, Bunzl, Hunters Armley, PROP (13) Asda Pf., Bolton, Chesterfield, Derwent Valley, Land Securities, MEPC, McKay Securities., Melville Moore, PSIT, Peel, Scott. Met., Southend, Do. Pf., Tops Ests., Town Centre, STORES (2) Austin Reed, Blacks Leisure, TELE NETWORKS (1) GN Great Nordic, TEXTS (5) Coats Viyella, Lamont, Shant, Shiloh, Sirdar, TRANSPORT (5) Assoc. Brit. Ports, Forth Ports, Stagecoach, WATER (3) North West, South West, Welsh, MINES (3) Minorco, St. Barbara, Western Areas.
NEW LOWS (30).
CANADIANS (1) Nova Corp. of Alberta, BREWERS (1) Guinness, CHEMS (2) BOC, Courtaulds, ELECTRONICS (1) Micro Focus, ENG GEN (1) Wheesoe, HEALTH & HSEHOLD (1) Inmarcare, INSCE BROKERS (3) Alexander & Alexander, Hogg, Marsh & McLennan, MEDIA (1) Scottish TV, MTL & MTL FORMING (1) Sycamore, MISC (1) Beckenham, OIL & GAS (1) Midland & Scottish Res., OTHER INDLS (1) Kelsey, PACKG, PAPER & PRINTG (5) Lawson Mardon, Wentworth, TEXTS (2) Campari, Martin Intl., TRANSPORT (1) Tiphook.

Guinness slides

Strong speculation of imminent changes at Guinness produced hefty turnover in the shares, which fell sharply to close 15 down at 407p. A variety of rumours underpinned the retreat, the strongest of which suggested that LVMH, the French luxury goods group with a 24.9 per cent cross-holding in Guinness, was ready to announce a restructuring. According to gossip in both Paris and London, this could involve Guinness taking control of LVMH's wines and spirits business in return for its stake in the French group.

LVMH shares tumbled in Paris on the speculation, fuelled also by reports of fund managers returning negative from a trip last week to LVMH's far eastern operations. Guinness, which also has substantial business interests in the region, weakened in sympathy too. Further damage was done by speculation that a meeting with UK analysts by Burn Stewart yesterday left the impression that Guinness was increasing its lower-margin bulk whisky presence.

Guinness later denied all the stories. A spokesman said that there were no plans to change the relationship with LVMH and that the company was reducing its bulk whisky business, not the other way round.

Burn Stewart shares slipped 3 to 111p on dull results.

Campari slumps

After worse-than-expected results Campari, the sporting clothes company, took a battering from the market and its share price fell 49 to 93p. One analyst said that although the results were far worse than feared the market's reaction had been "pretty phenomenal". The poor results have been attributed to a combination of poor sales and fundamental problems with supplies from the Far East.

A similar case in textiles came with Martin International whose results forced its price to slide 38 to 49p.

Waters wanted

Water shares were helped by an Ofwat report which proposed to modify a number of licences and reduce the provision for changing price limits between the periodic reviews. Analysts said that although not wildly exciting, the news suggested that the regulatory climate could be more relaxed than many commentators had supposed. Among those making gains, Welsh advanced 7 to 645p, Yorkshire 6 to 563p and Thames 5 to 556p.

Electricity stocks had an outstanding session as the dividends were once again sought. Eastern gained 11 to 576p, Southern 11 to 585p and Yorkshire 12 to 606p.

WH Smith steady

The strength in WH Smith shares continued, yesterday's unchanged 461p giving them a 5.2 per cent rise this week. The stock has been lifted by press reports that Smith and Boots will soon announce a rationalisation of their loss-making Do It All home improvement business. It is estimated that around 60 sites may face the axe. But there is growing speculation that the companies may have found buyers for a good proportion of those sites facing closure and that the exit costs will be less than some analysts had feared. Boots shares edged forward a penny to 483p.

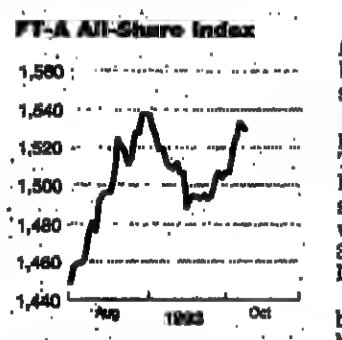
Good results from Etam were spoiled by a cautious sales statement and the shares fell 11 to 258p. Lloyds Chemist included a dividend boost with its results and the shares appreciated 15 to 284p.

Among food stocks, Dalgety was wanted on dividend considerations, the shares climbing 12 to 496p. BZW was said to be recommending Northern Foods, up 6 to 259p.

Commercial Union firmed 2 to 637p, after it said its enhanced scrip dividend alternative is to be priced at 630.7p. BZW was reported to have downgraded several stocks in the sector. These included Willis Corroon which lost 8 to 206p, and Sedgwick, where the shares gave up 7 to 168p.

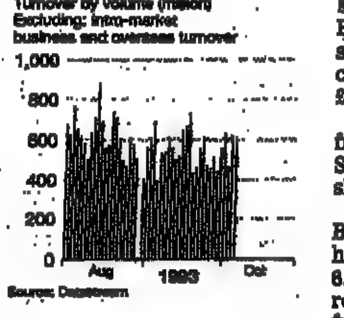
Among banks, Royal Bank of Scotland succumbed to profit-taking and the shares ended the session 6 at 342p.

FT-A All-Share Index



Equity Shares Traded

Turnover by volume (million) Excluding: intra-market business and overseas turnover



Source: Datastream

A "buy" recommendation from NatWest Securities boosted MB-Caradon and the shares moved 7 ahead to 334p.

Worries about its £250m proposed joint venture with Taiwan continued to overhang British Aerospace and the shares closed 6 lower at 393p, with dealers suggesting that 390p had proved a support level.

BAe shares were said to have been in heavy demand in after-hours trading following an announcement after the market closed that it was to sell Ballast, its Dutch based construction and international contracting business, for £175m.

Dealers said IMI had suffered from a profits downgrade from Smith New Court and the shares shed 3 to 292p.

US buyers were reported for British Steel and the shares hardened 3 to 128p, in trade of 6.6m. Profit-taking after the recent strong performance from TI Group saw the shares relinquish 11 to 360p.

Engineering group FKI continued to find support ahead of an analysts visit to the US begining this weekend. The shares put on another 3½ to 171½p.

The departure of Rothmans from the FT-SE 100 sent its stock tumbling 21 to 623p.

Growing interest in next week's presentation in Paris by paper and packaging group Arjo Wiggins saw a climb of 5 in its stock to 229p in strong volume of 3m.

A rise of 7 was mustered by ICI to take its price to 735p although that was achieved in very weak volume. One analyst said that such thin turnover was a sign that the much-talked about interest from US buyers was perhaps not as strong as may have been thought.

Activity in BOC was substantial and the shares climbed 5 to 631p with 1.7m shares traded.

BTP continued its steady rise of recent days with a gain of 4 to 285p. The stock has benefited from a recent buy note from Hoare Govett.

Lucas Industries firmed 2 to 155p, ahead of figures next week and continued talk of a new chief executive.

The retaining of its FT-SE 100 status by SmithKline Beecham helped the stock rise 3 to 370p, as did a buy note from Strauss Turnbull. Glaxo, after a moderate run lately on the back of generally positive sentiment about the company, fell victim to some profit-taking and retreated 4 to 654p.

Wellcome bounced on a recommendation by Kleinwort Benson to buy and ended the day 8 up at 708p.

Following good results on Wednesday, Manchester United rallied 41 to 583p. Ladbroke weakened 4 to 176p. The company announced after the market closed that it had reached agreement with the Mail on Sunday over the newspaper not repeating certain allegations.

MARKET REPORTERS:
Joel Kibazo,
Christopher Price,
Christine Buckley.

■ Other statistics, Page 25.

FINANCIAL TIMES EQUITY INDICES

	Oct 7	Oct 6	Oct 5	Oct 4	Oct 1	Year ago	* High	* Low
Ordinary share	2350.4	2355.4	2345.8	2332.5	2312.6	1870.4	2414.2	2124.7
Ord. div. yield	3.97	3.97	3.98	4.00	4.02	4.78	4.52	3.82
Earning yld % full	4.67	4.67	4.68	4.70	4.73	6.84	6.38	4.31
P/E ratio net	27.35	27.37	27.30	27.15	26.98	18.26	28.30	19.40
P/E ratio nil	25.21	25.25	25.19	25.05	24.90	16.93	25.14	18.14
Gold Mines	197.9	182.4	182.6	185.5	185.3	80.4	248.2	80.0

*for 1993. Ordinary share index since compilation: high 2414.2 31/8/93 - low 49.4 26/6/40
Gold Mines index since compilation high: 734.7 15/2/83- low 43.5 26/10/71
Basis Ordinary share 1/7/35; Gold Mines 12/9/55.

Ordinary Share hourly changes

Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.00	High	Low
2356.1	2360.1	2360.4	2359.7	2358.5	2353.1	2352.8	2349.6	2350.2	2361.4	2347.9

Volume	Oct 7	Oct 6	Oct 5	Oct 4	Oct 1	Year ago
SEAQ Bargains	30,211	32,315	31,429	29,295	32,711	18,847
Equity Turnover(£m)†	-	1581.8	1333.7	1077.6	1371.3	[illegible]
Equity Bargains†	-	36,254	35,092	33,323	36,625	21,124
Shares traded (mil)†	-	[illegible]	628.5	472.4	629.2	471.7

† Excluding intra-market business and overseas turnover.

London report and latest Share Index
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LONDON SHARE SERVICE

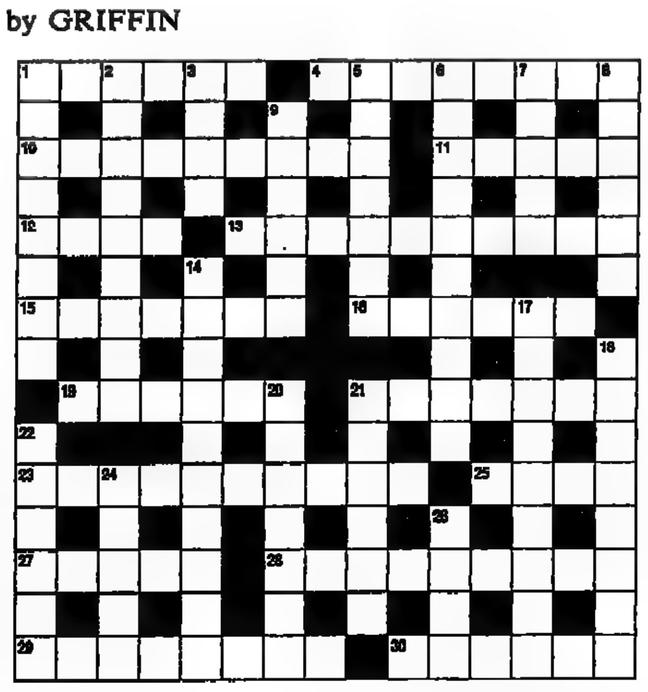
BRITISH FUNDS

CROSSWORD

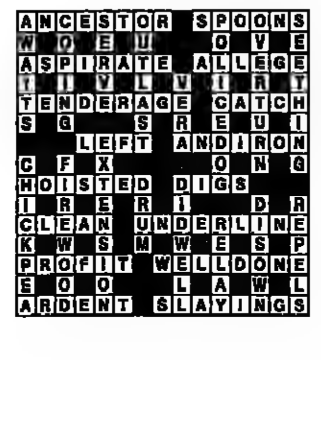
No.8,274 Set by GRIFFIN

ACROSS
1 Light a joiner left in church (6)
4 Old boy running castle bar (8)
10 Allows mob to spin a yarn (9)
11 Needs some black shoes (5)
12 Suitable pay (4)
13 Accessory first carried in police mac, perhaps (10)
15 At retirement gathering I tend to get spoilt (7)
16 Put an end to whisky! (6)
19 Has tag removed, horrified (6)
21 Irritable fellows said you left clutching return half (7)
23 Observes sweetheart accepting exotic bracelets (10)
25 Name of Hindu instrument I dropped (4)
27 Something made to measure (5)
28 People take choppers in them (9)
29 Shipbuilding area cut short 3 feet (8)
30 Energetic person wants Monday off (6)

DOWN
1 Many a student friendship causes distress (8)
2 Counting the miners living right inside (9)
3 Missing collection includes music centre (4)
5 Roars for the Spanish fans outside (7)
6 Rang for Eden to help drunk (10)
7 Jazz fan I caught carrying plants (5)
8 Direction Queen goes on holiday (6)
9 Taking engineer in car's compulsory (6)
14 Swear BR try cooking fruit! (10)
17 Somewhere people scoff at? (9)
18 Capone forces criminal outdoors (8)
20 Travelling there Bill's introduced as an informer (7)
21 Weak charge blew the end off (6)
22 Chalked up "Twenty Dead" (6)
24 Summon up one in colour (5)
26 Nimble rider turned up, really empty (4)



Solution 8,273



JOTTER PAD

EQUITY FUTURES AND OPTIONS TRADING

A FIRM opening on the FT-SE 100 future quickly dwindled into a weak trading session as the market lost its enthusiasm of recent days, Christine Buckley writes.

The mood shifted from one of optimism for early interest rate cuts to one prepared for little immediate encouragement from chancellor Kenneth Clarke's speech to the Conservative party conference.

In the main, institutions decided to sit out yesterday's trading session and volume in the December contract on the FT-SE was a poor 5,347 contracts - just over half the average amount. Much of the decline in the contract – which went from a day's high of 3,041 to the session's low of 3,012 – was done in transactions by independent traders.

With no large sellers evident, one trader saw the slide as a temporary blip and felt the derivatives market was pausing to gather steam after its recent buoyancy.

The contract started the day at 3,032 and soon after opening firmed up to its peak before moving, along with the cash market, into reverse gear. It closed at 3,122 – a premium of 31 points to the cash market and 10 points ahead of the fair value premium to cash.

Busy trading was seen in traded options, particularly in the Euro FT-SE 100 which saw 10,795 lots traded. There was significant activity in call spreads on the Euro FT-SE. Amstrad topped the stock options at 3,571.

LONDON SHARE SERVICE

AMERICANS

	Notes	Price £	+ or -	1993 high	low	Mkt Cap£m	Yld Gr's
Abbott Labs		17⅝xd	-⅛	20⅞	15⅝	14,750	2.6
Allegheny & W	♥	657½p	+5½	722p	399p	319.3	3.6
Amdahl		393p	-3	591p	294p	441.3	0.8
Amer Cyanamid		36⅛	—	38⅝	31⅛	3,245	3.2
Amer Express		23½xd	-⅛	25⅞	14⅞	11,308	2.9
Amer T & T		38xd	-⅛	43¾	33¼	51,206	2.3
Ameritech		55⅜	-⅛	58¾	46	24,245	4.5
Anheuser-Busch		30¼	+⅛	41¼	29⅝	8,371	3.2
BankAmerica		29xd	-⅛	36⅛	27¼	10,310	3.2
Bankers NY		52⅞xd	+⅛	54¾	42⅝	4,364	3.9
Bell Atlantic		40	-⅛	42⅜	32¾	17,380	4.5
BellSouth		39⅞	-⅛	41	32⅞	19,451	4.7
Bethlehem Steel	♥	9¾xd	+⅛	13¾	8½	862.5	-
Bowater		1212pxd	-9	1682p	1189p	439.2	3.3
CPC		29⅛xd	+⅛	34⅝	28	4,463	2.9
California Engy		1178p	—	1479p	1088p	214.5	-
Chase Manhattan		24⅝xd	+⅛	24⅞	17⅞	3,843	3.3
Chrysler		32¼xd	-½	32⅞	21¼	9,407	1.2
Citicorp		25⅛xd	+⅛	25⅞	13⅛	9,344	-
Colgate-Palm		35⅞xd	-⅛	45⅝	32	5,728	2.7
Cont'l Bank		1728p	-21	1877p	1278p	1,746	2.3
Dana		38¼xd	—	38⅝	29⅛	1,756	2.8
Data General		680p	+37	951p	627p	187.6	-
Decora Inds	♥	101½p	—	148p	101½p	-	-
Dun & Brad		40⅝	—	42¼	37¼	7,243	4.0
Eaton		32⅞	-⅛	34	25⅞	2,287	2.4
Ecolab		20¾xd	+⅛	21⅛	15⅛	1,180	2.3
FPL		26½xd	-¼	27⅝	23¼	4,734	6.3
Ford Motor		36⅛xd	-1⅛	37⅞	28⅞	17,864	2.9
Gen Elect		62½xd	-⅛	67⅞	53⅝	53,377	2.7
General Host	♥	491¾p	-27½	723p	458p	-	4.6
Gillette		38⅝xd	-¼	42⅝	31⅛	8,513	1.4
Hasbro		29⅞	—	20⅞	20⅞	1,819	0.8
Honeywell		23½xd	-⅛	28½	20⅛	4,872	2.5
Houston Inds		30⅞	-⅛	33¼	28¾	3,934	6.6

[illegible]

CANADIANS

[illegible]

BANKS

[illegible]

BREWERS & DISTILLERS

[illegible]

BUILDING MATERIALS

[illegible]

BUSINESS SERVICES

[illegible]

CHEMICALS

[illegible]

CONGLOMERATES

[illegible]

CONTRACTING & CONSTRUCTION

[illegible]

ELECTRICALS

[illegible]

ELECTRICALS - Cont.

[illegible]

ELECTRICITY

[illegible]

ELECTRONICS

[illegible]

ENGINEERING-AEROSPACE

[illegible]

ENGINEERING-GENERAL

[illegible]

ENGINEERING-GENERAL - Cont.

[illegible]

FOOD MANUFACTURING

[illegible]

FOOD RETAILING

[illegible]

HEALTH & HOUSEHOLD

[illegible]

HOTELS & LEISURE

[illegible]

HOTELS & LEISURE - Cont.

[illegible]

INSURANCE BROKERS

[illegible]

INSURANCE COMPOSITE

[illegible]

INSURANCE LIFE

[illegible]

INVESTMENT TRUSTS

[illegible]

INVESTMENT TRUSTS - Cont.

[illegible]

INVESTMENT TRUSTS - Cont.

	Notes	Price	+ or -	1993 high	low	Yld Gr's	NAV	Dis or Pm(-)
Scot Asian Pig	♣	228½	-½	230	136	–	249.3	8.1
Warrants		535	—	540	225	–	–	–
Scot East	♣†□	78½	-1	81½	63½	2.4	91.1	13.8
Scottish Inv	♣†□	220½	-½	222	183	2.6	255.3	13.6
Warrants	□	71½	—	72	36	–	–	–
Scot Mortgage	♣□	216	-1	225	178	2.3	246.5	12.6
Scot National Inc	♣N□	101½	-½	102	83	9.2	–	–
Cap	□	35	—	35	18	–	108.1	66.1
Stepped Pf		157	—	158½	150¾	4.8	–	–
Zero Div Pf		228½	—	231½	207	–	–	–
Warrants		4	—	6	2½	–	–	–
Scot Value	†a□	96	—	98½	71	2.3	84.9	-1.1
Sec Alliance	♣N	1658	-2	1682	1390	3.1	1716.9	8.7
Second Consld	□	168	-1	168	88	–	182.5	7.4
Second HBSC	□	187	—	187	101	–	–	–
Second Market	♣s	397	+1	397	258	0.6	411.2	3.8
Sec Tst Scot	♣□	89	-½	91	74½	4.6	89.8	0.8
Select Assets	□	168	—	157	109½	1.0	185.5	18.1
Eq Ind Sert		161	—	161	128	3.8	–	–
Eq Ind Sert		161	—	151	125	3.6	–	–
SHIRESCOT	♣u	143	—	143	104	4.8	140.0	-2.1
Shires	♣M	289	-1	291	231	7.3	284.3	-1.3
Siam Select	♣	157	+6	157	97	0.8	178.0	12.1
Smaller Cos	□	131	—	135	78	2.5	127.3	-2.5
Warrants		57	—	57	14	–	–	–
Sphere Inc	□	37	-½	37½	14	10.7	44.9	16.5
Zero Div Pf		91½	-1	92¾	80¼	–	–	–
Units		925	—	925	785	–	–	–
Summit		104	—	105	39	1.7	101.5	-2.5
TR City of Lon	N□	152¾	-½	154	126	3.9	144.8	-5.1
TR Euro Growth	♣N□	123	—	128	76	1.7	123.3	0.7
Ptg Sub		70	—	78	27	2.4	–	–
TR Far East Inc	♣†□	155	—	164	112	3.6	152.9	-1.3
Warrants		53	+½	57½	22	[illegible]	[illegible]	[illegible]

[illegible]

Net asset values supplied by NatWest Securities Limited as a guide only. See guide to London Share Service.

INVESTMENT COMPANIES

[illegible]

Net asset values supplied by NatWest Securities Limited as a guide only. See guide to London Share Service.

MEDIA

[illegible]

MERCHANT BANKS

	Notes	Price	+ or -	1993 high	low	Mkt Cap£m	Yld Gr's	P/E
Barings 8pc Cv 2nd Prf.		111	+½	113½	93	13.9	9.0	–
9¾pc Non-Cum Prf		133½	—	136	113	60.4	9.1	–
Close Bros	♣N	433xd	+8	435	250	109.8	3.2	16.7
Hambros	♣□	304	-3	301	243	673.0	4.8	17.7
7½pc Cv Pf		156	-1	164	[illegible]	234.0	6.0	–
Joseph (L)	♣	423	[illegible]	428	313	22.2	4.9	–
Kleinwort Benson	♣†□	486	-5	508	312	845.0	4.1	17.0
Rea Bros	♣†□	52	—	54	39	20.4	1.2	55.3
Schroders	♣†h□	1286	[illegible]	1335	467½	1,200	[illegible]	25.7
N/V	†h	1173	[illegible]	1315	367½	320.4	1.2	23.4
Singer & Fried.	♣HN□	81	+1	83	46	165.8	4.6	–
Warburg (SG)	♣N□	835	-8	847	529	1,803	2.8	[illegible]
Warrants	♣	313	+5	313	189	29.5	3.7	26.0

METALS & METAL FORMING

	Notes	Price	+ or -	1993 high	low	Mkt Cap£m	Yld Gr's	P/E
ASW	N□	201	-4	238	81	134.7	3.7	–
Apollo Metals	†	99	—	120	84	16.8	4.4	18.1
Ash & Lacy	♣	145	—	170	143	37.8	5.8	14.6
Billiton (J)	†	262	—	312	129	4.08	2.6	[illegible]
Brit Steel	N□	128	+3	130	64	2,580	1.0	–
CI	‡□	22	—	28	17	19.0	‡	20.8
Castings		210	—	210	158	44.3	2.6	[illegible]
Chamber & Hill		175	—	185	[illegible]	12.8	4.5	10.9

[illegible]

MISCELLANEOUS

[illegible]

MOTORS

[illegible]

OIL & GAS

[illegible]

OIL & GAS - Cont.

[illegible]

OTHER FINANCIAL

[illegible]

OTHER INDUSTRIALS

[illegible]

PACKAGING, PAPER & PRINTING

[illegible]

PACKAGING, PAPER & PRINTING - Cont.

[illegible]

PROPERTY

[illegible]

STORES

[illegible]

STORES - Cont.

[illegible]

TELEPHONE NETWORKS

[illegible]

TEXTILES

[illegible]

TRANSPORT

[illegible]

WATER

[illegible]

SOUTH AFRICANS

[illegible]

PLANTATIONS

[illegible]

MINES

[illegible]

MINES - Cont.

[illegible]

	Notes	Price	+ or -	1993 high	low	Mkt Cap£m	Yld Gr's
Europa Minls	N□	33	—	42	15	15.9	–
Glencar Expl IR	‡‡	12	—	12	6	2.22	–
Greenwich Res	♣□	14½	—	22¼	6	11.3	–
Harmo Gold C$		55½	—	60¼	23½	886.4	1.8
Ivernia West IR	‡‡□	39	—	57	31	19.6	–
Kalo Mining IR	‡‡	11	—	14	6	0.27	–
Kenmare	♣□	6¼	—	13½	6	8.78	–
Malaga Res.		8	+1	20½	7½	0.88	–
Navan Res IR	♣	96	—	102	25	16.7	–
8pc Ln Notes		88½	—	88¼	25	16.9	–
Oryx Gold		76½	—	76½	47	–	–
‡‡Ovoca Res IR		8	—	8	3½	0.65	–
RTZ	♣†N□	693	—	746	607	7,299	3.9

GUIDE TO LONDON SHARE SERVICE

Company classifications are based on those used for the FT-Actuaries Indices and FT-Actuaries World Indices.

Closing mid-prices are shown in pence unless otherwise stated. Highs and lows are based on intra-day mid- prices.

Where stocks are denominated in currencies other than sterling, this is indicated after the name.

Symbols referring to dividend status appear in the notes column daily as a guide to yields and P/E ratios. Dividends and Dividend covers are published on Monday.

Market capitalisation shown is calculated separately for each line of stock quoted.

Estimated price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on interim figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation, excluding exceptional profits/losses and unrelieved ACT where applicable. Yields are based on mid-prices, are gross, adjusted for a dividend tax credit of 20 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current pre-closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- □ Indicates the most actively traded stocks. This includes UK stocks where transactions and prices are published continuously through the Stock Exchange Automated Quotation system (SEAQ).
- ● "Tap Stock"
- • Highs and lows marked thus have been adjusted to allow for rights issues for cash
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ‡‡ Tax-free to non-residents on application
- ♦ Figures or report awaited
- ♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
- ♣ Free annual/interim report available, see details below.
- ¤ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Not officially UK listed; dealings permitted under Rule 535(2)
- ¥ Price at time of suspension
- ¶ Indicated dividend yield after pending scrip and/or rights issue.
- ♦ Merger bid or reorganisation in progress
- § Forecast dividend yield; p/e based on earnings updated by latest interim statement.
- ♠ Unregulated collective investment scheme.

a Yield based on annualised dividend
b Figures based on prospectus or other official estimates.
c Cents.
f Flat yield.
g Assumed dividend yield after rights issue.
h Assumed dividend yield after scrip issue.
p Rights issue pending
q Earnings based on preliminary figures.
s Dividend yield excludes a special payment.
t Indicated dividend yield, p/e ratio based on latest annual earnings.
u Forecast, or estimated annualised dividend yield, p/e based on previous year's earnings
v Not subject to ACT.
z Dividend yield includes a special payment
E Auction basis
F Yield based on prospectus or other official estimates for 1994-95.
G Assumed yield after pending scrip and/or rights issue.
H Yield based on prospectus or other official estimates for 1993.
K Yield based on prospectus or other official estimates for 1992-93
L Estimated annualised yield, p/e based on latest annual earnings.
M Yield based on prospectus or other official estimates for 1993-94.
N Figures based on IIMR 'Headline Earnings' draft proposals.
P Figures based on prospectus or other official estimates for 1994.
R Forecast annualised yield, p/e based on prospectus or other official estimates.
T Figures assumed.
W Pro forma figures.
Z Dividend yield to date.

Abbreviations:
xd ex dividend;
xc ex scrip issue;
xr ex rights;
xa ex all;
xR ex capital distribution.

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1235 a year for each security shown, subject to the Editor's discretion

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FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (071) 873 4378 for more details.

AUTHORISED UNIT TRUSTS

[illegible]

Guide to pricing of Authorised Unit Trusts

Compiled with the assistance of Lautro §§

INITIAL CHARGE: Charge made on sale of units. Used to defray marketing and administrative costs, including commission paid to intermediaries. This charge is included in the price of units.

OFFER PRICE: Also called issue price. The price at which units are bought by investors.

BID PRICE: Also called redemption price. The price at which units are sold back by investors.

CANCELLATION PRICE: The minimum redemption price. The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, most unit trust managers quote a much narrower spread. As a result, the bid price is often set above the cancellation price. However, the bid price might be moved to the cancellation price by the managers at any time, usually in circumstances in which there is a large excess of sellers of units over buyers.

TIME: The time shown alongside the fund manager's name is the time of the unit trust's valuation point unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: (♥) - 0001 to 1100 hours; (♠) - 1101 to 1400 hours; (♦) - 1401 to 1700 hours; (♣) - 1701 to midnight. Daily dealing prices are set on the basis of the valuation point; a short period of time may elapse before prices become available.

HISTORIC PRICING: The letter H denotes that the managers will normally deal on the price set on the most recent valuation. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis. The managers must deal at a forward price on request, and may move to forward pricing at any time.

FORWARD PRICING: The letter F denotes that the managers deal at the price to be set on the next valuation. Investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper are the most recent provided by the managers.

SCHEME PARTICULARS AND REPORTS: The most recent report and scheme particulars can be obtained free of charge from fund managers.

Other explanatory notes are contained in the last column of the FT Managed Funds Service.

§§ Life Assurance and Unit Trust Regulatory Organisation, Centre Point, 103 New Oxford Street, London WC1A 1QH Tel: 071-379-0444.

FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (071) 873 4378 for more details.

Stewart Ivory Unit Tst Mgrs Ltd (1200)F
45 Charlotte Sq, Edinburgh 031-226 3271

	Init Chrge	Canc Price	Bid Price	Offer Price	+ or -	Yield Gr's
American ♥	5	352.7	352.7	378.0	-2.9	0.33
(Accum Units) ♥	5	415.5	415.5	443.5	-3.4	0.33
British	5	1007.3	1007.3xd	1065.7	+0.6	2.37
(Accum Units)	5	1780.0	1780.0	1893.3	+1.4	2.37
Emerging Markets	5	119.0	120.2	128.0	+0.3	0.20
(Accum Units)	5	118.7	120.4	128.1	+0.3	0.20
European	5	428.6	428.6xd	458.4	-0.7	1.24
(Accum Units)	5	475.3	475.3	508.1	-0.8	1.24
Japan	5	163.8	163.8	173.8	-0.8	-
(Accum Units)	5	164.9	164.9	175.0	-0.8	-
New Pacific	5	330.0	333.1	354.8	+1.1	0.92
(Accum Units)	5	348.8	348.1	371.8	+1.1	0.92
Investment Tst	5	205.3	207.3xd	220.0	-0.7	1.61
(Accum Units)	5	231.7	233.8	247.7	-0.8	1.61
Mngd Equity	5	161.9	163.8	173.3	+0.2	1.45
Mngd Equity Acc	5	177.4	179.5	189.9	+0.2	1.45
Mngd Cash	0	95.48	95.48xd	95.48	-	5.07
(Accum Units)	0	129.3	129.3	129.3	-	5.07
Majority Stg	1	90.84	90.64xd	100.63	+0.01	4.78
Majority Stg Acc	1	119.37	119.37	120.55	+0.01	4.78

Sun Alliance Unit Tst Mngmt Ltd (1200)F
Admin: 6 Rayleigh Rd, Hutton, Brentwood, Essex
Enquiries 0277 227300 Dealing 0277 690069

Equity	6	785.2	785.2	839.8	-0.4	2.74
North America	6	124.0	124.0	132.6	-0.9	0.04
Far East	6	140.1	140.1	149.8	+1.1	0.20
W'wide Bond	6	82.37	82.37xd	88.21	-0.16	4.19
European	6	92.98	92.98xd	99.44	-0.11	0.79
Equity Income	6	90.90	91.70	98.08	+0.18	3.73
Portfolio	6	81.21	81.21	86.86	+0.04	0.59
UK Leading Cos	6	56.14	56.77	60.39	-0.12	2.74
Sector Trusts						
Intnl Equity	6	62.54	62.90	67.34	+0.35	-

Sun Life of Canada Unit Mgrs Ltd (1000)H
Basingview, Basingstoke, Hants 0800 525725

American Growth	6	33.61	33.66xd	36.00	-0.34	0.86
Managed Assets	6	125.99	126.77	135.59	-0.10	2.65
UK Income	6	39.84	39.89	42.66	-	2.84
UK Growth	5	37.97	38.31xd	40.98	-0.01	2.10
Worldwide Growth	6	32.74	32.87xd	35.16	-0.20	0.55

Sun Life Trust Mngmt Ltd (1200)H
101, Cannon St, London EC4N 5AD

Lazard Brothers & Co. Ltd

	Bid Price	Offer Price	+ or -	Yield Gross
Property Oct 7	£2125	2275	-	7.00
Inc Bis Prp Jul 12	£1440.0	1600.0	-	8.90

Lazard Investors Ltd ‡
Exempt Funds

Small Co's Oct 6	£8569.1	8773.8	-	2.29
European Oct 6	£761.0	785.8	-	1.40
American Oct 6	£441.1	445.7	-	1.38
Japan Oct 6	£813.1	820.9	-	0.40
Pacific Oct 6	£219.5	223.8	-	0.78
Midland Gth Aug 31	£131.90	143.80	-	3.7

Local Authorities Mutual Invest. Tst.*
2 Fore Street, London EC2Y 5AQ 071-588 1815

Property Sep 30	180.30	190.56	-	8.31
Equity Sep 30	1075.60	1108.8	-	2.78

* Available only to Local Authorities

M & G Securities Ltd

Charibond (z)		110.05	+0.3	9.06
(Accum Units)		838.29	+2.3	9.06
NAACIF (z)		49.67	-0.2	6.76

Morgan Grenfell Investment Funds Ltd
Exempt Funds

UK Equity † Oct 5	180.3	186.2	-	2.36
UK Small Co † Oct 5	840.3	867.3	-	2.84
Fixed Interest † Oct 5	130.8	131.6	-	8.71
Intl Bond Oct 5	147.3	148.7	-	7.69

Morgan Stanley International

UK Exempt NAV		£1482.95	-	-
Overseas Exempt NAV		£1417.80	-	-

Murray Johnstone UT Mngmt
Murray Exempt Funds

American Exempt	66.07	69.59	-0.91	1.20
European Exempt	60.08	61.94	+0.43	2.25
Fixed Int Ex Oct 6	54.30	54.83	+0.54	7.68
Japan Exempt	61.28	63.18	-0.08	0.70
Managed Ex Oct 6	57.50	60.04xd	+0.34	2.83
SE Asia Exempt	129.70	135.50xd	+1.80	1.88
Sm Cos Expt Oct 6	45.72	48.00	+0.12	2.88
UK Eqty Ex Oct 6	49.17	51.02	+1.10	3.68

NatWest Investment Management Ltd

INSURANCES

Allied Dunbar Assurance Plc - Contd.

American Life Insurance Co UK
2-8 Altyre Road, Croydon CR

Barclays Life Assur. Co Ltd
252 Romford Road, London E7

City of Westminster Assurance (z)

Friends Provident

Irish Life Assurance Co Plc

MGM Assurance (z)

Norwich Union Life Insurance Soc. - Contd.

OTHER UK UNIT TRUSTS

FT MANAGED FUNDS SERVICE

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	Bid Price	Offer Price	+ or -	Yield Gross
Prudential Assurance Co				
Holborn Bars, London EC1N 2NH 071-405 9222				
Profund				
Managed Oct 6	320.4	332.8	—	–
Prudential Corporate Pension Funds				
55 King's Road, Reading RG1 3AH 0734 494852				
Prudential Managed Funds				
Discretionary Sep 29	£247.10	254.90	+2.04	–
Equity Sep 29	£276.12	287.83	+1.88	–
International Sep 29	£41.51	42.58	+0.72	–
Intl Bond Sep 29	£21.43	21.71	+0.05	–
Fixed Int Sep 29	£131.98	133.48	+0.85	–
Index Linked Sep 29	£96.63	97.82	+0.65	–
Property Sep 29	£115.08	121.81	—	–
Cash Sep 29	£34.03	34.03	+0.04	–
Pre-Unitised Retirement Plan				
Managed Sep 29	583.70	606.10	—	–
Cash Sep 29	307.60	320.50	+0.10	–
Prudential Pensions Investment Account				
Pens Mngd	237.10	255.10	+1.90	–
Pens Mngd A	106.20	111.80	+0.80	–
Pens UK Eq	402.80	434.60	+2.70	–
Pens Intl	299.60	321.70	+3.60	–
Pens Global Eqty	134.80	142.00	+1.10	–
Pens Fixed	298.60	315.10	+0.60	–
Pens Index Lk	245.30	259.00	+0.30	–
Pens Property	92.70	97.60	—	–
Pens Cash	200.90	211.70	—	–
Money Purchase Plan				
Discretionary (2)	135.00	144.80	+0.70	–
Equity (2)	139.40	150.60	+0.80	–
International (2)	136.00	145.10	+1.10	–
Global Equity (2)	137.70	147.70	+0.90	–
Intl Bond Feb (2)	150.10	158.00	+0.10	–
Fixed Interest (2)	148.90	156.60	+0.20	–
Index Linked (2)	134.70	141.80	+0.60	–
Property Feb (2)	104.40	114.80	—	–
Cash (2)	116.30	122.10	—	–
Prudential Individual Life Funds				
55 King's Road, Reading, RG1 3AH 0734 494852				
Series I Life Funds				
Managed	750.9	790.5	-0.1	–
Equity	1461.7	1538.7	+0.4	–
Fixed Interest	604.4	636.3	-0.1	–

	Bid Price	Offer Price	+ or -	Yield Gross
Scottish Amicable - Contd.				
Others				
Capital Guarantee Bond	108.1	111.7	-0.20	–
Scottish Equitable Life Assce. Soc.				
28 St Andrew Sq, Edinburgh 031-556 9101				
Mixed	241.8	254.4	-0.6	–
UK Equity	230.8	242.8	+0.3	–
International	242.5	255.3	-0.7	–
American	242.9	255.7	-0.8	–
European	229.1	241.2	+0.8	–
Japan	242.3	282.4	-1.1	–
Pacific	342.5	360.3	-0.4	–
Technology	316.8	333.3	+0.1	–
Fixed Interest	181.4	190.9	+0.3	–
Indexed Linked	164.4	173.1	+0.3	–
Foreign Bond/Currency	228.2	240.2	-0.5	–
Cash	174.725	183.921	+0.025	–
Ethical	124.7	131.3	+0.4	–
Pens Mixed	700.1	737.0	+0.7	–
Pens UK Equity	785.8	827.1	+0.2	–
Pens International	747.7	787.0	-1.1	–
Pens Nth American	243.4	256.2	-0.7	–
Pens European	271.2	285.5	+1.2	–
Pens Japan	301.2	317.0	-1.0	–
Pens Pacific	409.2	430.8	+1.1	–
Pens UK Fixed Interest	375.3	395.0	+1.7	–
Pens Index Linked	204.2	214.9	+0.4	–
Pens Cash	278.849	293.525	+0.041	–
Pens Property	216.25	226.58	—	–
Pens Ethical	161.4	169.9	+0.5	–
Edinburgh Inv	369.8	389.3	-1.2	0
Baillie Gifford Japan	264.3	278.2	-1.7	–
Pens Global	94.5	99.5	-0.3	–
Pens Emerg Mkts	97.8	103.0	+1.2	–
Pens Overseas Bond	94.3	99.3	-0.4	–
Scottish Life Investments				
19 St Andrew Square, Edinburgh 031-225 2211				
Property	183.2	192.9	+0.1	–
UK Equity	340.6	358.6	-0.8	–
American	245.0	258.0	-1.8	–
Pacific	340.6	358.6	-1.3	–
European	443.3	466.7	+1.7	–
International	298.4	314.2	+0.4	–
Fixed Interest	245.9	258.9	-0.9	–

MANAGEMENT SERVICES

OFFSHORE INSURANCES

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

CANADA (SIB RECOGNISED)

GUERNSEY (SIB RECOGNISED)

GUERNSEY (REGULATED)(**)

IRELAND (SIB RECOGNISED)

IRELAND (REGULATED)(**)

ISLE OF MAN (SIB RECOGNISED)

ISLE OF MAN (REGULATED)(**)

JERSEY (SIB RECOGNISED)

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Gartmore Fund Mngrs Intl Ltd - Contd.

	Init Chrge	Canc Price	Bid Price	Offer Price	+ or -	Yield Gr's
US$ Deposit Fd	$-		1.011		—	2.04
Sterling Deposit Fd	£-		1.009		—	4.94
French Franc Dep Fd	FFr-		10.48		—	7.08
Swiss Fr Dep	SFr-		5.118		—	3.56
DM Deposit Fd	DM-		5.202		+0.002	5.71
Yen Deposit Fd	Y-		508.6		+0.1	2.01
Aust Dlr Deposit Fd	A$-		1.020		—	3.00
US Dollar Bond	$-		1.079		—	4.86
Yen Bond	Y-		532.2		-0.2	3.75
US Dollar Global Curr	$-		0.9920		[illegible]	1.00
Sterling Global Curr	£-		1.112		-0.003	2.4

John Govett (Channel Islands) Ltd (1000)F

JERSEY (REGULATED)(**)

ISLE OF MAN (SIB RECOGNISED)

LUXEMBOURG (SIB RECOGNISED)

LUXEMBOURG (REGULATED)(**)

SWITZERLAND (SIB RECOGNISED)

OTHER OFFSHORE FUNDS

MANAGED FUNDS NOTES

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGE

$ stalled ahead of job figures

DEALERS hung fire over the US dollar yesterday having already taken up their positions ahead of crucial US employment data today.

The concentration on the latest non-farm payroll figure meant that other issues took second place. The Tory party conference in the UK, the Bundesbank council meeting in Germany and possible central bank intervention in Belgium, all had a muted impact on the relevant currencies.

Economists are looking for a rise of between 150,000 and 200,000 in US employment as a signal that the country's fragile economy might be regaining some stamina.

Mr Paul Chertkow, global currency analysts with UBS, said: "If we get a figure above 175,000 the economy is back on track and the mentality of the market shifts. Under 100,000 and the gloom intensifies."

That nervousness left the dollar unchanged against the D-Mark at DM1.6230 by the close in London. Against the Yen it fell slightly to Y105.10 from Y105.60 against the Yen.

The worries allowed the German currency to appreciate quietly against a range of European currencies.

The fact that the Bundesbank kept its floor level discount rate unchanged at 6.25 per cent and its upper level Lombard rate flat at 7.25 per cent was neither here nor there – the market would have been stunned if Mr Hans Tietmeyer had made any change at his first meeting as head of the German central bank.

But doubts over the US economy have given investors more reason to back the D-Mark. The currency has been further helped by other European central banks rebuilding reserves that were severely depleted out by the exchange rate mechanism crisis at the beginning of August.

The D-Mark climbed against the French and Belgian francs and the Spanish peseta. Outside the ERM it rose against the Swiss franc and Italian lira.

The French franc was further overshadowed by disappointing statistics on the Bank of France reserves. A number of economists had expected that it might have recovered a large chunk of its reserves lost during the the crisis at the start of August. In the event, the latest figure showed that the Bank only rebuilt by FFr9.3bn last week, the lowest weekly figure since the crisis. That still leaves it with an estimated FFr57.7bn shortfall.

The Belgian franc suffered from continuing worries over the state of the economy and the government's ability to shoulder through its social pact. The currency hit BFr21.77 against the D-Mark at one stage and dealers said the central bank was intervening to support it; the central bank denied the claims. The Belgian franc closed at BFr21.70 down from BFr21.67 previously.

Sterling held on to gains notched up earlier in the week in spite of some disappointment that Mr Kenneth Clarke the Chancellor refused to scotch speculation of an early interest rate cut.

£ IN NEW YORK

Oct 7	Latest	Previous Close
£ Spot	1.5235-1.5245	1.5245 1.5255
1 month	0.36-0.35pm	0.36 0.35pm
3 months	1.76-1.73pm	0.99 0.96pm
12 months	3.11-3.04pm	3.15 3.08pm

Forward premiums and discounts apply to the US dollar

STERLING INDEX

	Oct 7	Previous
8.30 am	80.9	80.8
9.00 am	80.9	80.9
10.00 am	81.1	80.8
11.00 am	81.0	80.8
Noon	81.0	80.8
1.00 pm	81.0	80.8
2.00 pm	81.0	80.8
3.00 pm	81.0	80.8
4.00 pm	80.9	80.9

CURRENCY RATES

Oct 7	Bank § rate %	Special * Drawing Rights	European † Currency Unit
Sterling	-	0.933358	0.770860
U.S Dollar	3.00	1.41489	1.17735
Canadian $	4.90	1.88904	1.57048
Austrian Sch	5.75	16.2123	13.4113
Belgian Franc	6.50	49.7800	41.3983
Danish Krone	8.25	9.32584	7.72752
D-Mark	6.25	2.30398	1.90599
Dutch Guilder	6.50	2.59030	2.14237
French Franc	-	8.04523	6.67211
Italian Lira	8.5	N/A	1863.12
Japanese Yen	1.75	148.674	123.671
Norway Krone	-	10.0620	8.33380
Spanish Peseta	-	185.835	155.033
Swedish Krona	11.50	N/A	9.48765
Swiss Franc	4.50	2.02004	1.67534
Greek Drach	19	N/A	278.532
Irish Punt	-	N/A	0.808278

§ Bank rate refers to central bank discount rates. These are not quoted by the UK, Spain and Ireland.

CURRENCY MOVEMENTS

OTHER CURRENCIES

	£	$
Finland	8.7825 - 8.8285	5.7610 - 5.7810
Greece	358.965 - 359.175	235.400 - 235.600
Hong Kong	11.7780 - 11.7775	7.7245 - 7.7255
Iran	2413.30 - 2416.35	1583.00 - 1585.00
Korea(Sth)	1235.60 - 1236.35	810.50 - 811.00
Kuwait	0.45460 - 0.45585	0.29820 - 0.29900
Luxembourg	53.55 - 53.65	35.15 - 35.25
Malaysia	3.8720 - 3.8750	2.5400 - 2.5420
Mexico	4.7420 - 4.7450	3.1105 - 3.1125
N.Zealand	2.7715 - 2.7750	1.8175 - 1.8205
Saudi Ar	5.7175 - 5.7185	3.7495 - 3.7505
Singapore	2.3895 - 2.3910	1.5675 - 1.5685
S.Af (Cm)	5.2810 - 5.2835	3.4510 - 3.4525
S.Af (Fn)	6.2385 - 6.2550	4.0930 - 4.1030
Taiwan	40.80 - 40.95	26.75 - 26.85
U.A.E.	5.5970 - 5.6005	3.6715 - 3.6735

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu Central Rates	Currency Amounts Against Ecu Oct 7	% Change from Central Rate	% Spread vs Weakest Currency	Divergence Indicator‡
Dutch Guilder	2.19672	2.14237	-2.47	6.65	-
D-Mark	1.94964	1.90599	-2.24	6.29	-
Irish Punt	0.808628	0.808278	-0.04	3.85	0
Spanish Peseta	154.250	155.033	0.51	3.38	-4
French Franc	6.53883	6.67211	2.04	1.83	-17
Portuguese Escudo	192.854	197.191	2.25	1.62	-15
Belgian Franc	40.2123	41.3983	2.95	0.93	-21
Danish Krone	7.43679	7.72752	3.91	0.00	-27

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu: a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate.
‡Indicative values only. Divergence indicators are based on 15% band limitations but do not show the 2.25% band between the Dutch Guilder and D-Mark.

POUND SPOT - FORWARD AGAINST THE POUND

Oct 7	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.5195 - 1.5275	1.5220 - 1.5230	0.36-0.34cpm	2.76	0.97-0.94pm	2.51
Canada	2.0285 - 2.0385	2.0300 - 2.0310	0.25-0.19cpm	1.33	0.63-0.49pm	1.10
Netherlands	2.7725 - 2.7850	2.7725 - 2.7825	⅛-¼cdis	-0.81	¼-½dis	-0.54
Belgium	53.50 - 53.80	53.55 - 53.65	14-20cdis	-3.81	41-51dis	-3.43
Denmark	10.0050 - 10.0405	10.0100 - 10.0200	2⅛-3⅝oredis	-3.82	7¼-9dis	-3.34
Ireland	1.0455 - 1.0510	1.0460 - 1.0470	0.07-0.11cdis	-1.03	0.20-0.25dis	-0.86
Germany	2.4675 - 2.4760	2.4675 - 2.4725	⅛-¼pfdis	-0.91	½-⅝dis	-0.91
Portugal	254.80 - 256.30	254.80 - 255.80	120-134cdis	-5.97	294-419dis	-5.59
Spain	200.05 - 201.85	200.80 - 201.10	76-89cdis	-4.93	206-227dis	-4.31
Italy	2425.70 - 2446.70	2438.50 - 2439.50	5-7liredis	-2.95	16-18dis	-2.79
Norway	10.7945 - 10.8315	10.7975 - 10.8075	⅛-⅞oredis	-0.56	½-2¼dis	-0.51
France	8.6380 - 8.6690	8.6425 - 8.6525	¾-1¼cdis	-1.47	2¼-3¼dis	-1.39
Sweden	12.2258 - 12.3685	12.2925 - 12.3025	1⅞-2⅞oredis	2.20	5-6dis	-1.79
Japan	159.50 - 160.75	159.50 - 160.50	½-⅜ypm	3.28	1⅜-1¼pm	3.28
Austria	17.34 - 17.45	17.37 - 17.40	1-3grodis	-1.04	3½-5⅜dis	-1.02
Switzerland	2.1650 - 2.1760	2.1650 - 2.1750	¼-⅛cpm	1.04	¾-⅝pm	1.15
Ecu	1.3045 - 1.3095	1.3070 - 1.3080	0.19-0.23cdis	-1.93	0.57-0.63dis	-1.84

Commercial rates taken towards the end of London trading. Six-month forward dollar 1.76-1.74pm. 12 Month 3.13-3.03pm.

DOLLAR SPOT - FORWARD AGAINST THE DOLLAR

Oct 7	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.5195 - 1.5275	1.5220 - 1.5230	0.36-0.34cpm	2.76	0.97-0.94pm	2.51
Ireland†	1.4495 - 1.4695	1.4530 - 1.4540	0.46-0.46cpm	3.68	1.28-1.23pm	3.45
Canada	1.3320 - 1.3350	1.3330 - 1.3340	0.15-0.17cdis	-1.44	0.44-0.50dis	-1.41
Netherlands	1.8165 - 1.8265	1.8230 - 1.8240	0.52-0.55cdis	-3.52	1.39-1.45dis	-3.11
Belgium	35.10 - 35.25	35.15 - 35.25	19.00-21.00cdis	-6.82	49.00-54.00dis	-5.85
Denmark	6.5995 - 6.6500	6.5750 - 6.5800	3.40-3.70oredis	-6.48	9.60-10.10dis	-5.99
Germany	1.6170 - 1.6280	1.6225 - 1.6235	0.52-0.53pfdis	-3.88	1.38-1.40dis	-3.43
Portugal	167.30 - 167.75	167.65 - 167.75	121-126cdis	-8.84	333-349dis	-8.12

Commercial rates taken towards the end of London trading. † UK, Ireland and Ecu are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency.

EURO-CURRENCY INTEREST RATES

Long term Eurodollars: two years 4¼-4⅛ per cent; three years 4½-4⅜ per cent; four years 4¾-4⅝ per cent; five years 5-4⅞ per cent nominal. Short term rates are call for US Dollar and Japanese Yen; others, two days' notice.

EXCHANGE CROSS RATES

Oct 7	£	$	DM	Yen	F Fr.	S Fr.	N Fl.
£	1	1.523	2.470	160.0	8.648	2.170	2.778
$	0.657	1	1.622	105.1	5.678	1.425	1.824
DM	0.405	0.617	1	64.78	3.501	0.879	1.125
YEN	6.250	9.519	15.44	1000.	54.05	13.56	17.36
F Fr.	1.156	1.761	2.856	185.0	10.	2.509	3.212
S Fr.	0.461	0.702	1.138	73.73	3.985	1	1.280
N Fl.	0.360	0.548	0.889	57.60	3.113	0.781	1
Lira	0.410	0.624	1.013	65.60	3.546	0.890	1.139
C $	0.492	0.750	1.216	78.78	4.258	1.068	1.368
B Fr.	1.866	2.841	4.608	298.5	16.13	4.049	5.183
Pta	0.498	0.758	1.229	79.60	4.302	1.080	1.382
Ecu	0.765	1.164	1.888	122.3	6.612	1.659	2.124

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100: Peseta per 100.

MONEY MARKETS

UK sees high liquidity

THE UK money markets sailed through their fourth consecutive day of calm conditions as another unusually high shortage was taken out with no trouble at the start of official dealings.

The high shortages have been created by the government's speedy exercise of its funding programme - so far it has raised some three quarters of its annual requirement through gilt sales and auctions and is only half way through the financial year.

UK clearing bank base lending rate 6 per cent from January 26, 1993

This anticipation has taken advantage of the exceptionally high price of government bonds, driven ever upwards by the seemingly insatiable appetite of overseas buyers. On the other hand, it has drained billions of pounds from the national balance sheet and left the clearing banks generally short of funds.

However, as the third quarter drew to a close last week, the banks balanced their books and were able to operate with more flexibility.

Yesterday's forecast shortage of £1.85bn, revised by the close of official dealing to £2bn, was the highest for a month but was nearly all taken out at the first opportunity. At the early round of assistance, the Bank of England bought £1.7bn of bills for resale to the market on October 27,28 and 29 at a rate of 5 31/32 per cent. This was followed shortly afterwards by a further £100m of assistance via Band One bank bills at 5⅞ per cent.

Among the main factors affecting the position were bills for repurchase by the market which were expected to take out £921m and Exchequer transactions which would remove another £555m.

The Bank did not operate in the money market in the afternoon but came in with £70m of late assistance, which is carried out after official hours and carries an unspecified lending rate. The relaxed conditions allowed overnight rates to fall as low as 4½ per cent at midday before climbing back above 6 per cent in the late afternoon.

In the futures market, short sterling closed marginally higher at 94.35 with turnover of only 12,500 contracts.

The German futures contract for three-month money traded on Liffe saw reasonable two-way business as the Bundesbank held rates unchanged. The December Euromark contract closed two basis points lower at 93.77 with 31,000 lots dealt.

FT LONDON INTERBANK FIXING

(11.00 a.m. Oct 7) 3 months US dollars		6 months US Dollars	
bid 3¼	offer 3⅜	bid 3¼	offer 3⅜

The fixing rates are the arithmetic means rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted to the market by five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque National de Paris and Morgan Guaranty Trust.

MONEY RATES

NEW YORK — Treasury Bills and Bonds

Lunchtime					
		One month	3.06	Three year	4.10
		Two month	3.06	Five year	4.69
Prime rate	6	Three month	3.04	Seven year	4.90
Broker loan rate	5	Six month	3.18	10-year	5.32
Fed.funds	3	One year	3.33	30-year	6.01
Fed.funds at intervention	-	Two year	3.82		

Oct 7	Overnight	One Month	Two Months	Three Months	Six Months	Lombard Intervention
Frankfurt	6.75-6.90	6.75-6.90	6.65-6.80	6.60-6.70	6.35-6.45	7.25
Paris	7⅛-7⅜	7.07-7.27	-	7.06-7.26		6.75
Zurich	4⅝-4⅞	4 7/16-4 11/16	-	4 7/16-4 9/16	-	-
Amsterdam	6.45-6.55	6.45-6.55	-	6.30-6.38	-	-
Tokyo	2 7/16-2½	-	-	-	-	-
Milan	8 13/16-9 1/16	8 11/16	-	8 7/16-8 11/16	-	-
Brussels	9 7/16-9 11/16	9½-9⅝	-	9 1/16-9 3/16	-	-
Dublin	6 11/16-6 13/16	6 13/16-7 1/16	6⅞-7	6⅞-7	6⅝-6¾	-

LONDON MONEY RATES

Oct 7	Overnight	7 days notice	One Month	Three Months	Six Months	One Year
Interbank Offer	6½	5¾	5⅞	5⅞	5¾	5 11/16
Interbank Bid	4½	5½	5¾	5¾	5⅝	5 9/16
Sterling CDs	-	-	5 13/16	5 13/16	5¾	5⅝
Local Authority Deps.	5⅝	5½	5⅞	5⅞	5¾	5 11/16
Local Authority Bonds	-	-	-	-	-	-
Discount Mkt Deps	6	6½	-	-	-	-
Company Deposits	-	-	-	-	-	-
Finance House Deposits	-	-	5⅞	5⅞	5¾	5 11/16
Treasury Bills (Buy)	-	-	5 9/16	5¼	5 7/16	-
Bank Bills (Buy)	-	-	5 13/16	5 13/16	5 13/16	-
Fine Trade Bills (Buy)	-	-	-	-	-	-
Dollar CDs.	-	-	3.00	3.06	3.11	3.27
SDR Linked Dep. Offer	-	-	4 3/16	4¼	4 5/16	4 7/16
SDR Linked Dep. Bid	-	-	4 1/16	4⅛	4 3/16	3 15/16
ECU Linked Dep. Offer	-	-	8	7 13/16	7⅝	6 13/16
ECU Linked Dep. Bid	-	-	7½	7 11/16	7⅛	6 11/16

Treasury Bills (sell): one-month 5½ per cent; three months 5 3/16 per cent; six months 5⅛ per cent; Bank Bills (sell): one-month 5 13/32 per cent; three months 5½ per cent; Treasury Bills; Average tender rate of discount 5.1937 p.c. ECGD Fixed Rate Sterling Export Finance. Make up day September 30, 1993. Agreed rates for period Oct 26, 1993 to Nov 23, 1993 Schemes II & III: 7.22 p.c. Reference rate for period Sept 1, 1993 to Sept 30, 1993, Scheme IV&V: 5.954 p.c. Local Authority and Finance Houses seven days' notice, others seven days' fixed. Finance Houses Base Rate 6pc from October 1, 1993: Bank Deposit Rate for sums at 7 days notice 5⅛ p.c. Certificates of Tax Deposit (Series 6); Deposit £100,000 and over held under one month 2¾ p.c.; one-three months 5¼ p.c.; three-six months 5 p.c.; six-nine months 4¾ p.c.; nine-twelve months 4½ p.c.; Under £100,000 2¾ p.c. from Jan.27, 1993. Deposits withdrawn for cash 1¼p.c.

FINANCIAL FUTURES AND OPTIONS

LIFFE LONG GILT FUTURES OPTIONS

LIFFE EURO SWISS FRANC OPTIONS

LIFFE BUND FUTURES OPTIONS

LIFFE EUROMARK OPTIONS

LIFFE ITALIAN GOVT. BOND (BTP) FUTURES OPTIONS

LIFFE SHORT STERLING OPTIONS

LONDON (LIFFE)

CHICAGO

PARIS

OPTION ON LONG-TERM FRENCH BOND (MATIF)

Strike	Calls November	Calls December	Calls March	Puts November	Puts December	Puts March
122	-	-	-	0.03	0.13	-
123	-	1.37	5.20	0.11	0.33	-
124	0.46	0.74	-	0.42	0.70	-
125	0.11	0.35	3.48	-	-	-
126	-	-	2.77	-	-	-
Open Int	27,397	195,121	51,928	16,281	185,802	46,798

Estimated volume 22,202 † Total Open Interest 503,287
† All Yield & Open Interest figures are for the previous day.

POUND - DOLLAR

FT FOREIGN EXCHANGE RATES				
Spot	1-mth.	3-mth.	6-mth.	12-mth.
1.5225	1.5190	1.5130	1.5049	1.4917

BASE LENDING RATES

	%		%		%
Adam & Company	6	Cyprus Popular Bank	6	NatWestminster	6
Allied Trust Bank	6	Duncan Lawrie	6	Nykredit Mortgage Bnk	6.5
AIB Bank	6	Exeter Bank Limited	7	●Rea Brothers	6
●Henry Ansbacher	6	Financial & Gen Bank	7	* Roxburghe Bank Ltd	6
B & C Merchant Bank	13	●Robert Fleming & Co	6	* (in administration)	
Bank of Baroda	6	Girobank	6	Royal Bk of Scotland	6
Banco Bilbao Vizcaya	6	●Guinness Mahon	6	●Smith & Williamson Secs.	6
Bank of Cyprus	6	Habib Bank AG Zurich	6	Standard Chartered	6
Bank of Ireland	6	●Hambros Bank	6	TSB	6
Bank of India	6	Heritable & Gen Inv Bk.	6	●United Bk of Kuwait	6
Bank of Scotland	6	●Hill Samuel	6	Unity Trust Bank Plc	6
Barclays Bank	6	C. Hoare & Co	6	Western Trust	6
Brit Bk of Mid East	6	Hongkong & Shanghai	6	Whiteaway Laidlaw	6
●Brown Shipley	6	Julian Hodge Bank	6	Wimbledon & Sth West	7
CL Bank Nederland	6	●Leopold Joseph & Sons	6	Yorkshire Bank	6
Citibank NA	6	Lloyds Bank	6		
City Merchants Bank	6	Meghraj Bank Ltd	6	● Members of British Merchant Banking & Securities Houses Association	
Clydesdale Bank	6	McDonnell Douglas Bk.	6		
The Co-operative Bank	6	Midland Bank	6		
Coutts & Co	6	Mount Banking	6		
Credit Lyonnais	6				

MONEY MARKET FUNDS

Money Market Trust Funds

Money Market Bank Accounts

WORLD STOCK MARKETS

AUSTRIA

BELGIUM/LUXEMBOURG

DENMARK

FINLAND

FRANCE

GERMANY

NETHERLANDS

NORWAY

SPAIN

SWEDEN

SWITZERLAND

ITALY

SOUTH AFRICA

JAPAN

AUSTRALIA

HONG KONG

MALAYSIA

SINGAPORE

CANADA

TORONTO

4 pm close October 7

MONTREAL

4 pm close October 7

INDICES

NEW YORK

DOW JONES

STANDARD AND POOR'S

NEW YORK ACTIVE STOCKS

TRADING ACTIVITY

CANADA

TORONTO

TOKYO - Most Active Stocks

Thursday, October 7, 1993

	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices	Change on day
Nippon Steel	12.5m	344	+6	Isuzu Motor	4.8m	412	-4
Fujitsu Ltd	7.4m	856	-5	Kawasaki Steel	4.3m	339	
Mitsubishi Motor	5.9m	852	+8	NKK Corp	3.8m	276	-4
Nissan Motor Co	4.7m	787	+25	Sanyo Co Ltd	3.2m	2,930	-130
Mitsubishi Heavy	4.8m	672	+4	Tokyo Gas	3.1m	532	-3

4 pm close October 7

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

1993 High	1993 Low	Stock	Div	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
14⅝	11½	AAR Corp	0.48	3.5	81	223	13⅝	13⅜	13⅝	+⅛
29⅞	13¾	A L Labs A	0.18	1.0	36	168	18	17¾	18	+⅛
67¼	54⅝	AMP Inc	1.60	2.5	22	2298	65⅝	64½	64¾	-1⅛
72¾	55½	AMR			18	4125	65¼	64⅛	64⅛	-¾
3⅞	1¾	ARX			14	445	u3⅞	3⅝	3¾	
51½	29⅞	ASA	2.00	4.4	29	788	45½	44½	45	+¼
30¾	22⅝	Abbott Lab	0.68	2.6	16	8684	27¼	26½	26½	-⅜
12⅝	8¼	Abitibi Pr	0.50	5.9	3	15	8½	8½	8½	+⅛
15¼	8¼	Acptncaln			46	568	15	14⅝	15	+½
36	25½	ACE Ltd	0.92	2.8		567	33⅜	32⅞	33	-⅜
12	10¾	ACM Gvt In	0.96	8.5		171	11⅜	11¼	11¼	
10	9⅛	ACM GvOpp x	0.80	8.1		81	9⅞	9¾	9⅞	+⅛
9⅞	8⅝	ACM Gvt Sp x	0.80	8.2		168	9¾	9⅝	9¾	
11⅝	10½	ACM Gvt Se x	0.95	8.3		401	11½	11⅜	11½	+⅛
11⅝	9⅝	ACM Man x	1.08	9.4		122	u11⅝	11⅜	11½	
9⅜	8⅝	ACM Managd x	0.72	7.8		140	9¼	9⅛	9¼	
12⅜	7¾	Acme Clevs	0.44	4.7	12	35	9⅜	9¼	9⅜	
9¼	6⅛	Acme Elect			47	78	6⅝	6½	6⅝	+⅛
27⅝	18⅜	Acordia	0.44	1.7	15	7	25⅞	25⅞	25⅞	+⅛
16	10⅜	Acuson			33	365	12⅛	12	12⅛	
21¾	18¼	Adams Expr	0.48	2.5	0	420	19	18¾	19	+⅛
65¼	45½	Ad Micro	3.00	5.9		3070	51	49¾	50⅝	-⅛
32¾	17⅝	Ad Micro P	3.00	14.5	7	28285	21	20⅛	20¾	-¼
7¾	5½	Advest Grp	0.16	2.3	12	208	7	6⅞	6⅞	-⅛
24¾	15½	Advo Inc	0.08	0.5	16	106	15⅝	d15¼	15¼	-¼
50¼	41⅛	Aegon ADR	1.23	2.4	10	72	50⅛	50	50⅛	+⅛
61¾	43⅜	Aetna Lf	2.76	4.5	42	859	61½	61	61⅜	
34	25½	Aflac	0.40	1.3	15	991	31⅝	30⅞	31⅝	+⅜
22⅛	16¾	Ahmanson	0.88	4.6	8	1838	19½	19⅛	19¼	-¼
7¾	3⅝	Aileen Inc			5	78	3⅞	3¾	3⅞	
48½	24⅞	Air Pr Chem	0.92	2.4	15	1656	38⅞	38⅜	38⅝	+¼
26½	18⅛	Airborne Frt	0.30	1.2	32	254	24¾	24½	24½	
39½	18¾	Airgas Inc			43	66	u39½	38⅞	39	-½
15⅜	10½	Airlease x	1.72	11.6	11	13	14⅞	14⅞	14⅞	+⅛
108½	101	AlaPw8.16	8.16	7.7		z100	106	106	106	
107	102½	Alab 8.28C	7.28	7.1		z20	102⅞	102⅞	102⅞	
18	12¼	Alaska Air	0.20	1.5	2	129	13	12⅞	13	+⅛
19	14¼	Albany Int	0.35	2.0	58	149	17¾	17⅝	17⅝	
28¼	20¼	AlCulbr B	0.28	1.3	14	142	21½	20⅝	20⅝	-¾
...										
57½	43	Bausch Lmb	0.88	1.9	15	1705	47	46⅞	46⅞	-⅛
32¾	20	Baxter	1.00	4.5	11	5610	22¾	22	22	-⅛
29⅞	24⅛	Bay St Gas	1.42	4.9	15	33	29⅛	28⅞	29⅛	+¼
25	22	Bd Tr 1838	1.72	7.4		101	23½	23⅛	23¼	-⅛
26	15	Bear Stns	0.60	2.4	8	2236	25	24⅜	24½	-½
50¼	45½	BearStPfA	2.75	5.6		9	49¼	49	49⅛	
26	20½	Bearings	0.64	2.5	20	15	25¾	25⅝	25¾	
27	19¾	Beckman In	0.36	1.4	18	447	26	25¼	26	+½
40¾	32⅝	Becton Dks	0.88	1.8	13	1157	37	36⅜	36⅝	-¼

Continued on next page

4 pm close October 7

NYSE COMPOSITE PRICES

Continued from previous page

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- V -

- W -

- X - Y - Z -

Price data supplied by Telekurs

NASDAQ NATIONAL MARKET

4 pm close October 7

- A -

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AMEX COMPOSITE PRICES

4 pm close October 7

OCTOBER 8 1993

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ENCES

AMERICA

US stocks subdued ahead of jobs data

Wall Street

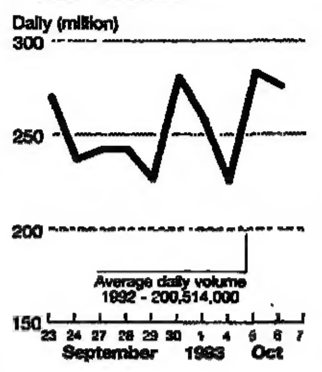
US share prices were trapped in a narrow trading range either side of opening values yesterday morning as dealers and investors mostly stuck to the sidelines ahead of today's important jobs figures, *writes Patrick Harverson in New York.*

At 1pm, the Dow Jones Industrial Average was down 2.79 at 3,596.20. The more broadly based Standard & Poor's 500 was down 0.48 at 460.36, while the Amex composite was 0.53 lower at 463.89, and the Nasdaq composite down 1.23 at 763.54. Trading volume on the NYSE was 154m shares by 1pm.

Trading was subdued from the start as participants once again chose to keep their heads down while awaiting the September employment report, due out this morning. The monthly jobs report is traditionally the most eagerly-anticipated set of economic figures, and the markets are hoping that today's numbers will give them a fresh look at how the labour market is faring in a still struggling economy. The consensus of analysts' forecasts has non-farm payrolls rising by about 150,000 last month.

Wall Street, however, has a poor track record of forecasting the jobs figures, and there have been numerous occasions this year when the monthly employment numbers have surprised the market, usually by producing a more bearish report than expected. This explains the markets' cautious approach to today's data, and the lack of much movement in share prices during the morning session.

NYSE volume



There was some news on the jobs front yesterday – the Labor department announced that the number of people claiming state unemployment insurance fell by 9,000 in the final few days of September – but the numbers failed to move the markets.

Among individual stocks, retailers were in the limelight after some of the biggest companies reported their latest monthly sales figures. The news was neither disappointing nor particularly encouraging, and investors seemed unimpressed. Sears, Roebuck fell $¾ to $58¼, well off its lows for the day, while JC Penney gave up $⅞ to $46⅝, the Limited dropped $⅜ to $23 and Kmart eased $⅜ to $24⅜.

Corning plunged $6⅛ to $27⅛ in volume of 2.5m shares after the company warned that it would be taking a third quarter charge against earnings of $130m, and said that its underlying income, even excluding the charge, will come in about 10 per cent below a year ago.

Motor stocks were in demand, with General Motors up $1 at $44, Ford $⅝ at $56¼ and Chrysler $⅝ at $49⅝.

On the Nasdaq market, Liberty Media rose $1⅞ to $28⅝ on the news that Tele-Communications is considering a $3.3bn stock deal to regain full control of the company.

Canada

TORONTO remained ahead at midday although the market had eased from earlier levels due to falling transportation and energy indices. The TSE-300 composite index at noon was 5.96 higher at 4,061.44 in turnover of C$361.1m.

EUROPE

Paris sees 3 per cent decline in LVMH

AFTER two days of significant gains, the Eurotrack 100 eased a little yesterday, following the trend set on Wednesday afternoon, *writes Our Markets Staff.*

PARIS recorded a 3 per cent fall in LVMH on renewed selling after the group's recent disappointing first half results and further sell notes were issued by brokers. The shares lost FFr119 to FFr3,700 in heavy volume.

The CAC-40 index slipped 17.05 to 2,147.41 as turnover remained firm at FFr3.5bn.

Peugeot was off FFr11 at FFr640 ahead of reporting a first half loss of FFr1.12bn, which came in at the lower end of market forecasts.

SocGen was one of the day's best performers, with a gain of FFr14 to FFr676 following an impressive set of first half figures on Wednesday.

FRANKFURT traded above 2,000 for the first time at mid-session but the DAX index lost steam after that. It closed the session 9.99 higher at 1,997.04 after an intraday high of 2,000.38, and eased to 1,991.38 in the post-bourse. Turnover fell from DM10.6bn to DM9.6bn.

At the close the DAX was still nearly 85 points up on the week after a significant push from German mutual funds moving out of bonds into equities, and supported by US buying.

The big winner of the day, the pharmaceuticals group, Schering, made its own breakthrough with a DM29.20 gain to DM1,022 on one big order, and then excitement that it had cleared the DM1,000 level.

Other recent special situations like Daimler and Lufthansa were down again, by DM5.90 to DM747.80 and by DM2.40 to DM159.90 respectively.

AMSTERDAM saw Hoogovens continuing to attract sellers as speculation persisted over its financial health, the shares ending off 90 cents at Fl 42.10. Many analysts believe that while the steel group remains in a difficult situation, its longer term prospects are relatively satisfactory.

Goldman Sachs has the stock on its European priority list, although emphasising that earnings recovery "is likely to be a bumpy ride".

The CBS Tendency index finished off 0.2 at 127.7.

Nedlloyd featured among the day's gainers, up Fl 2.40 or nearly 6 per cent at Fl 43.80. Kleinwort Benson has issued a buy note on the transport group, based on "significant changes in top management which...in the short to medium term will focus on debt reduction and cost cutting and should lead to a gradual allaying of fears over the group's weak financial position".

MILAN was enlivened by some late speculative buying of Ferruzzi on hopes that the rescue plan may soon be completed, but the Comit index shed 4.25 to 596.16 as the market's consolidation continued.

Ferruzzi added L25.10 or 8.3 per cent to L325.30 and Montedison was L35.60 or 4.6 per cent higher at L801 ahead of the weekend meeting of creditor banks.

Analysts were surprised by a L30 fall to L1,924 by Olivetti in heavy volume of 16.7m shares, noting that there was no news to account for the activity. On Wednesday, Merrill Lynch commented that in the short-term, the share price was reflecting expectations such as the probability of winning Italy's second cellular telephone licence, adding "there is still scope for intermediate-term appreciation given the company's repositioning of itself".

Fiat group companies were lower: Fiat shed L169 to L6,003.

ZURICH edged lower in fairly active trade, the SMI index easing 6.8 to 2,528.0.

Roche and Sandoz were marked down after forecasts which analysts said were in line with expectations. Roche certificates shed SFr30 to SFr5,390, and Sandoz SFr60 to SFr3,440.

Banks and insurers remained supported by hopes for lower interest rates. CS Holding bearers added SFr50 to SFr3,060, helped by Wednesday's cut in cash bond rates by Credit Suisse and Swiss Volksbank's plan to cut costs by closing branches.

STOCKHOLM's Affärsvärlden general index ended a mere fraction below the all-time high of 1,339.1 it hit on August 18, closing 10.3 higher at 1,337.3.

Domestic and international investors tended to focus on shares which had underperformed the earlier market rally. The household appliance maker, Electrolux, rose SKr7 to SKr259 and the mining and metals group, Trelleborg, by SKr4.50 to SKr45.50, helped by higher nickel prices.

FT-SE Actuaries Share Indices — THE EUROPEAN SERIES

October 7 Hourly changes	Open	11.30	12.00	13.00	14.00	15.00	16.00	Close
FT-SE Eurotrack 100	1318.80	1317.92	1320.06	1321.34	1319.24	1318.25	1318.81	1317.76
FT-SE Eurotrack 200	1402.72	1402.41	1403.44	1402.79	1403.38	1401.93	1400.47	1401.97

	Oct 6	Oct 5	Oct 4	Oct 1	Sep 30
FT-SE Eurotrack 100	1321.84	1313.91	1299.14	1293.99	1293.02
FT-SE Eurotrack 200	1403.39	1391.47	1377.73	1368.19	1362.51

Base value 1000 (26/10/90) High/day: 100 - 1321.34, 200 - 1405.44 Low/day: 100 - 1317.49 200 - 1399.17.

Written and edited by William Cochrane, John Pitt and Michael Morgan.

ASIA PACIFIC

Nikkei eases as Hong Kong stays at peak

Tokyo

SPECULATION that the Osaka securities exchange will soon announce a new stock futures index triggered unwinding of arbitrage positions, and share prices lost 1.1 per cent on selling of small-capital stocks, *writes Emiko Terazono in Tokyo.*

The Nikkei average lost 234.62 to 20,265.63 after a high of 20,494.45 and a low of 20,262.83. Investors and dealers sold components of the Nikkei 225 index, on rumours that the index will be replaced by a capitalisation weighted average. The settlement of October options contracts today also prompted selling by traders adjusting positions.

Osaka and Tokyo stock exchange authorities have been working on a capitalisation weighted average to replace the Nikkei 225, which is a simple price weighted average and is seen as easily manipulated.

Volume was 300m shares against 330m. Declines led advances by 613 to 382 with 184 issues unchanged. The Topix index of all first section stocks fell 6.99 to 1,646.79 and, in London, the ISE/Nikkei50 index rose 3.42 to 1,279.93.

Traders sold low liquidity small-capital component issues of the Nikkei, on expectations that such stocks would be excluded from the new index. Nippon Kayaku fell Y10 to Y851 and Shinagawa Refractories lost Y70 to Y1,060.

However, Daiwa Securities gained Y50 to Y1,420 and Yamaichi Securities rose Y10 to Y810 on rumours that they would become components of the new index.

Pharmaceuticals were lower on reports of cuts in regulated drug prices: Sankyo plunged Y130 to Y2,630 on speculation that price cuts of up to 10 per cent might be made on Mevalotin, its profit generating anti-cholesterol drug. Elsewhere, Yamanouchi Pharmaceutical fell Y40 to Y2,410 and Takeda Chemical lost Y30 to Y1,310.

High-technology issues which gained ground on Wednesday, fell on profit-taking. Hitachi declined Y6 to Y844, Mitsubishi Electric lost Y11 to Y575 and Sony declined Y40 to Y4,580.

On the other hand, foreign buying supported car shares, with Mitsubishi Motors gaining Y6 to Y832, Nissan Motor up Y26 to Y767 and Honda Motor rising Y30 to Y1,640.

In Osaka, the OSE average fell 54.05 to 22,401.76 in volume of 15.9m shares. Small-lot selling depressed large-capital shares.

Roundup

PACIFIC Rim markets continued in positive fashion yesterday.

HONG KONG finished at a fifth consecutive record during a session that saw prices sharply lower after early profit-taking by local investors before US funds, which have been driving the rally, once again entered the market as buyers.

The Hang Seng index finished 25.22 higher at 8,066.79 in turnover that dipped to HK$6.19bn against an adjusted HK$7.18bn on Wednesday.

The index has risen by 8.2 per cent over the last 10 days as strategists, mainly in the US, have increased their weighting for the market.

Index futures fell sharply in late trade and the lower trend spilled over to subsequent London trading, where the indicative index shed 71 to 7,996.

AUSTRALIA saw its third consecutive rise with the All Ordinaries index adding 3.7 to 2,022.5, but off the day's high of 2,031.8. Turnover was A$612.8m.

Coca-Cola Amatil gained 38 cents to A$8.98 after announcing earlier this week that it was paying A$70m for a half share in Indonesia's main Coke bottler.

NEW ZEALAND added to Wednesday's gains with a strong rise in Telecom, up 11 cents to NZ$4.24, which was sought by US investors.

The NZSE-40 capital index ended 36.42 higher at 2,018.95.

KUALA LUMPUR saw interest focused on rubber stocks and Genting, the gaming group, which put on M$2 to M$27 on reports that it was to commission two floating casinos.

The composite index closed up 8.57 at 874.34 in volume of 657m shares.

MANILA closed higher on steady buying by domestic investors and the composite index rose 12.35 to 1,961.04 in volume of 516m shares.

TAIWAN extended early gains to end 2.1 per cent higher and turnover expanded on hopes for the successful passage through parliament of a proposal to cut the stock transaction tax.

The weighted index closed 80.32 higher at its intra-day high of 3,894.94 in turnover that rose to a moderate T$18.99bn from Wednesday's thin T$10.9bn.

SOUTH AFRICA

SHARES extended gains throughout the session assisted by foreign buying and a stronger bullion price. The gold index put on 78 points, or 5.1 per cent, to 1,606, industrials 18 to 4,481 and the overall 64 to 3,819.

Forestry loses its charms after twelve month rally

Christopher Brown-Humes reports the reappraisal

Look back a year and few sectors of European industry can have performed as well as Nordic forestry. Look back over the last few weeks, when shares in most of the region's pulp and paper groups have been drifting, and the picture is rather different.

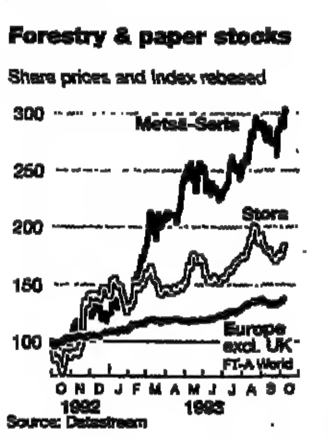
The sharp rise is explained by two factors: Swedish and Finnish forestry groups, because they are such big exporters, were major beneficiaries of the effective devaluation of their currencies last autumn. There was also a strong feeling that the pulp and paper market, which had been ravaged by severe overcapacity and world recession, would finally show a decisive turn for the better this year.

Disappointment has set in because, for all the Nordic forest industry's new found competitiveness, it has become clear that the hoped-for market upturn has not materialised. Pulp prices have drifted downwards since May, and now languish at just under $400 a tonne, while the only paper grade to show any sign of price recovery is newsprint.

Even so, by midweek the Finnish forest index was up 93.9 per cent over the last twelve months and 65.2 per cent this year. Sweden's forestry sector was up 86.1 per cent on a 12-month view, but just 13.9 per cent in 1993, a considerable underperformance on the overall market this year. Norske Skog, Norway's biggest pulp and paper group, had seen its share price more than double over the last year.

The reason Finnish forestry groups have generally performed better than their Swedish counterparts is that they have more domestically-based production,

Forestry & paper stocks



a higher proportion of exports, and a greater emphasis on value-added products. The Finnish group, Metsä-Serla, which has proved to be the region's star forestry performer with a tripling of its B shares over the last year, is a case in point: it has very little production outside Finland, and has concentrated on more stable market sectors such as tissues and corrugated board.

Currency devaluations are not the only reason for the Nordic forestry sector revival. Extensive rationalisation, lower wood prices and falling interest rates have also helped the industry weather the market downturn. The region's groups should be able to return to profit in 1993. Sweden's Stora, Europe's biggest pulp and paper group, managed a SKr30m pre-tax profit for the first half, but it had to rely on financial operations to offset a sharp fall in operating income.

MoDo of Sweden and the Finnish group, Kymmene, look unlikely to return to the black, however, and their shares have performed less well than those of their counterparts. MoDo, which has forecast a second half loss on top of its first half SKr353m deficit, has been hit by the performance of operations in France, a hard currency country. Kymmene is Europe's leading producer of fine paper, where prices are particularly depressed, and around half of its paper production is based abroad, mainly in hard currency countries.

Few commentators are expecting market conditions to improve decisively in the next few months. The earliest a stronger pulp price is anticipated is the second quarter of next year, when inventory levels should be lower. The new competitiveness of the Nordic producers is, nevertheless, allowing them to boost capacity utilisation, and lower interest rates are helping to reduce their debt burdens.

Mr Denis Christie, paper and packaging analyst at James Capel in London, expects the sector's share price weakness to persist over the next three to six months, with disappointing statements about the market outlook accompanying forthcoming results. However, he is much more positive on a nine to 12 month view, because of the impact which declining interest rates should have on demand in the all-important European market.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co. and NatWest Securities Limited in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	WEDNESDAY OCTOBER 6 1993								TUESDAY OCTOBER 5 1993					DOLLAR INDEX		
Figures in parentheses show number of lines of stock	US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	1993 High	1993 Low	Year ago (approx)
Australia (69)	149.33	+2.1	145.06	99.68	126.01	151.81	+1.1	3.40	146.22	142.90	97.55	123.42	150.15	149.33	117.39	122.49
Austria (17)	174.51	+0.5	169.54	116.49	147.25	147.37	+0.4	1.07	173.65	169.71	115.86	146.57	146.72	180.43	131.16	156.25
Belgium (42)	150.04	+0.2	145.77	100.15	126.60	130.24	+0.7	4.42	149.68	146.29	99.86	126.34	129.38	156.76	131.19	142.45
Canada (107)	123.87	+1.3	120.35	82.68	104.51	119.79	+1.0	2.83	122.23	119.46	81.55	103.16	118.60	130.38	111.41	113.80
Denmark (32)	233.76	+1.2	227.11	156.04	197.25	208.95	+0.9	1.09	230.96	225.73	154.10	194.95	207.01	233.76	186.11	198.69
Finland (23)	115.91	+0.4	112.61	77.38	97.81	140.39	+0.7	0.74	115.42	112.80	77.01	97.42	139.43	118.56	65.50	57.89
France (97)	172.17	+0.5	167.27	114.92	145.27	153.13	+0.4	3.01	171.40	167.51	114.35	144.66	152.58	172.17	142.72	150.47
Germany (60)	132.41	+0.7	128.64	88.40	111.72	111.72	+0.7	1.88	131.45	128.47	87.71	110.95	110.95	132.41	101.59	109.65
Hong Kong (55)	317.52	+1.7	308.49	211.95	267.93	315.24	+1.7	3.23	312.06	304.98	208.20	263.41	309.86	317.52	218.82	230.91
Ireland (14)	173.99	+0.8	169.04	116.14	146.81	168.67	-0.1	3.32	172.65	168.73	115.19	145.72	168.82	173.99	129.28	139.12
Italy (70)	74.05	+0.2	71.95	49.43	62.48	87.91	+0.1	1.84	73.93	72.25	49.32	62.40	87.82	78.93	53.78	50.04
Japan (469)	155.71	+1.2	151.28	103.94	131.40	103.94	+1.3	0.80	153.83	150.34	102.63	129.86	102.63	165.91	100.75	107.94
Malaysia (69)	427.26	+0.9	415.11	285.19	360.51	418.46	+0.8	1.66	423.52	413.91	282.56	357.48	415.12	427.26	251.66	245.06
Mexico (19)	1678.87	+0.0	1631.11	1120.67	1416.62	5718.78	+0.0	0.86	1678.63	1640.55	1119.98	1416.85	5717.04	1771.56	1410.30	1326.10
Netherland (24)	189.97	+0.8	184.57	126.81	160.30	158.02	+0.7	3.46	188.49	184.21	125.76	159.10	156.87	189.97	150.39	162.81
New Zealand (13)	61.00	+1.5	59.27	40.72	51.47	59.11	+1.6	3.77	60.11	58.74	40.11	50.74	58.16	62.98	40.56	40.09
Norway (23)	178.79	+1.9	173.71	119.35	150.87	171.94	+1.6	1.49	175.46	171.48	117.07	148.10	169.27	178.79	137.71	138.62
Singapore (38)	310.29	+1.5	301.47	207.13	261.82	222.85	+0.6	1.52	305.81	298.87	204.04	258.12	221.47	310.29	207.04	186.33
South Africa (60)	205.69	+0.8	199.84	137.30	173.56	186.48	+1.4	2.81	204.05	199.42	136.14	172.22	183.86	215.29	144.72	157.16
Spain (42)	139.23	+1.2	135.27	92.94	117.48	138.23	+0.9	4.13	137.53	134.41	91.76	116.08	137.06	140.97	115.23	112.30
Sweden (36)	194.43	+0.3	188.90	129.79	164.06	231.56	-0.1	1.46	193.81	189.42	129.31	163.59	231.68	196.23	149.70	152.64
Switzerland (50)	143.42	+0.5	139.34	95.74	121.03	126.48	+0.6	1.72	142.66	139.42	95.19	120.43	125.72	143.42	108.91	117.84
United Kingdom (218)	192.30	+1.1	186.83	128.35	162.25	186.83	+0.5	3.83	190.22	185.90	126.90	160.54	185.90	192.30	162.00	171.13
USA (518)	188.29	-0.1	182.93	125.69	158.88	188.29	-0.1	2.73	188.44	184.17	125.73	159.06	188.44	189.40	175.38	165.16
Europe (748)	161.31	+0.8	156.72	107.68	136.12	150.16	+0.5	3.01	160.04	156.41	106.78	135.08	149.38	161.31	133.92	137.56
Nordic (114)	184.45	+0.6	179.20	123.12	155.64	190.37	+0.4	1.29	183.28	179.12	122.28	154.69	189.66	184.45	142.13	143.57
Pacific Basin (713)	161.18	+1.3	156.59	107.59	136.00	112.13	+1.3	1.06	159.14	155.53	106.18	134.33	110.72	168.80	105.89	112.15
Euro-Pacific (1461)	161.12	+1.1	156.54	107.54	135.95	127.50	+1.0	1.86	159.40	155.79	106.35	134.54	126.28	162.86	117.26	122.43
North America (625)	184.29	+0.0	179.05	123.03	155.53	183.63	+0.0	2.73	184.34	180.16	123.00	155.62	183.70	185.59	171.51	161.96
Europe Ex. UK (530)	141.53	+0.6	137.51	94.49	119.45	128.74	+0.5	2.47	140.69	137.50	93.89	118.78	128.06	141.53	112.51	117.26
Pacific Ex. Japan (244)	214.84	+1.7	208.73	143.43	181.30	199.68	+1.3	2.88	211.29	206.50	140.99	178.36	197.16	214.84	152.70	153.44
World Ex. US (1647)	161.25	+1.1	156.67	107.65	136.07	129.34	+1.0	1.89	159.55	155.93	106.46	134.67	128.12	162.89	118.51	123.21
World Ex. UK (1947)	167.02	+0.6	162.27	111.50	140.95	143.78	+0.6	2.02	166.04	162.28	110.79	140.16	142.96	168.50	134.22	133.13
World Ex. So. Af. (2105)	169.11	+0.6	164.30	112.90	142.71	147.27	+0.6	2.19	168.04	164.23	112.13	141.85	146.45	170.43	137.29	136.38
World Ex. Japan (1696)	178.41	+0.4	173.33	119.10	150.56	172.50	+0.3	2.82	177.72	173.69	118.59	150.03	172.05	178.41	157.47	152.79
The World Index (2165)	169.25	+0.6	164.43	112.98	142.82	147.65	+0.6	2.20	168.17	164.36	112.21	141.96	146.81	170.42	137.32	136.42

Latest prices were unavailable for this edition.

THE NEW FT-SE ACTUARIES INDICES CLASSIFICATIONS

10 MINERAL EXTRACTION

■ SECTOR 12 Extractive Industries
121 Copper Mining — *Prospectors for, extractors and refiners of copper ores*
133 Gold Mining — *Prospectors for, extractors and refiners of gold bearing ores*
125 Other Mineral Extractors & Mines — *Companies engaged in the extraction of minerals other than those classified elsewhere*
129 Mining Finance — *Finance houses engaged in financing and developing mining interest or deriving an income from mining interests*

■ SECTOR 15 Oil, Integrated
150 Oil, Integrated — *Companies engaged in the exploration for, production, refining, distribution and supply of mineral oil and gas products*

■ SECTOR 16 Oil Exploration & Production
162 Oil Exploration & Production — *Companies engaged in the exploration for and production of, mineral oil and gas*
165 Oil Services — *Providers of services for oil exploration and production*

20 GENERAL MANUFACTURERS

■ SECTOR 21 Building Contractors
210 Building Contractors — *Builders, house builders, civil engineers, manufacturers of prefabricated buildings and structures, plant hire contractor*

■ SECTOR 22 Building Materials & Merchants
222 Building Materials — *Producers of materials used in the construction and refurbishment of buildings and structures; including refractory materials*
225 Builders Merchants — *Wholesalers and retailers of building materials; timber importers and sawmills*

■ SECTOR 23 Chemicals
232 Chemicals, Commodity — *Producers of commodity and industrial chemicals, industrial coatings and paints, fibres and films*
234 Chemicals, Speciality — *Producers of fine chemicals, biocides, dyestuffs and chemicals for specialised applications*
236 Chemicals, Materials Technology — *Producers of cellular polymers, natural and synthetic rubber lattices and specialist plastic sheeting*

■ SECTOR 24 Conglomerates
240 Conglomerates — *Companies engaged in three, or more, classes of business that differ substantially from each other, no one of which contributes 50%, or more, of pre-tax profit, nor less than 10%*

■ SECTOR 25 Electronic and Electrical Equipment
252 Electrical Equipment — *Producers of electrical components and equipment*
253 Electronic Equipment — *Producers of electronic components and equipment*
255 Office Machinery — *Manufacturers, suppliers and service providers of office copiers and related equipment*

■ SECTOR 26 Engineering
261 Engineering, Metallurgy — *Producers of metals, stockholders thereof and processors of such materials into forms for manufacturers' use*
262 Engineering Fabricators — *Producers of metal castings, pressings, welded shapes; fabricators and erectors of structural steelwork*
263 Engineering, Specialities — *Metal finishers, shipbuilders and repairers (excluding defence), and manufacturers of specialist items*
264 Engineering, Contractors — *Designers, manufacturers and installers of industrial plant and pollution control equipment*
265 Engineering, Diversified — *Diversified engineering companies not classified elsewhere*
268 Engineering, Aerospace & Defence — *Producers of components and equipment for the aircraft and defence industries. Assemblers of aircraft and defence ships*
269 Instruments, Tools & Mechanical Handling Equipment — *Scientific instruments makers, producers of machine tools, trade tools, bearings, material handling equipment and packaging machinery*

■ SECTOR 27 Engineering, Vehicles
270 Vehicle Components & Assemblers — *Manufacturers of vehicle components and the assembly thereof*

■ SECTOR 28 Paper & Packaging
280 Paper & Packaging — *Producers, converters and merchants of all grades of paper. Manufacturers of containers from paper, board, plastic, film, glass and metal*

■ SECTOR 29 Textiles & Apparel
291 Clothing Manufacturers — *Manufacturers of all types of clothing*
293 Wool — *Processors of wool and wool cloth manufacturers*
295 Other Textiles — *Manufacturers of cotton and synthetic fibre materials and goods other than clothing*
297 Footwear & Leather — *Processors of hides and skins. Manufacturers of footwear and leather goods*
299 Giftware & Costume Jewellery — *Manufacturers and importers of costume jewellery and giftware*

30 CONSUMER GOODS

■ SECTOR 31 Breweries
310 Breweries — *Brewers and operators of public houses*

■ SECTOR 32 Distillers & Wines
320 Distillers & Wines — *Distillers of spirits, importers of wines, vintners and cider makers*

■ SECTOR 33 Food Manufacturers
330 Food Manufacturers — *Producers and processors of food*

■ SECTOR 34 Household Goods
342 Furniture & Furnishings — *Manufacturers of furniture and furnishings, kitchenware, domestic hardware, cutlery and ceramic tableware*
344 Floor Covering — *Manufacturers of carpets and other materials for covering floors*
346 Household Requisites — *Producers of detergents, soaps, toiletries, cosmetics, hygiene products and polishes*

■ SECTOR 36 Medical Ancillaries
360 Medical ancillaries — *Private hospitals, nursing homes and residential homes, agencies for doctors and nurses, medical research laboratories, manufacturers of diagnostic materials, artificial limbs, and medical requisites, wholesalers and designated distributors of pharmaceutical products, manufacturers of opticians' supplies*

■ SECTOR 37 Pharmaceuticals
370 Pharmaceuticals — *Developers and manufacturers of ethical drugs*

■ SECTOR 38 Tobacco
380 Tobacco — *Cigarette and tobacco manufacturers*

40 SERVICES

■ SECTORS 41 Distributors
412 Distributors of Industrial Components & Equipment — *Distributors, wholesalers and/or stockists of electrical, electronic, engineering and vehicle components equipment and supplies*
414 Distributors, Others — *Distributors, wholesalers and/or stockists of products other than those classified elsewhere*

■ SECTOR 42 Leisure & Hotels
422 Leisure — *Companies engaged in the entertainment and travel industry, personal hobbies, games and toys*
424 Hotels & Caterers — *Hoteliers, restaurateurs, caterers and holiday camp companies*

■ SECTOR 43 Media
432 Media Agencies — *Advertising, marketing and public relations agencies and consultants*
434 Broadcasting Contractors — *Independent radio and television contractors. Companies providing facilities and/or programmes for contractors*
436 Publishing — *Newspaper, periodical, book and electronic data publishers*

■ SECTOR 44 Retailers, Food
440 Retailers and Wholesalers, Food — *Retailers and wholesalers of food products*

■ SECTOR 45 Retailers, Multi department
450 Retailers, Multi Department — *Retail outlets with more than one department, selling a varied range of goods*

■ SECTOR 46 Retailers, chain stores
460 Retailers, Chain Stores — *Shops concentrating on the sale of a single class of goods, other than food or vehicles*

■ SECTOR 47 Retailers, vehicle distributors
470 Vehicle Distributors — *Sales and servicing of vehicles*

■ SECTOR 48 Support Services
481 Business Support Services — *Providers of non-financial services to organisations which could have been provided "in-house"*
482 Education, Business Training & Employment Agencies — *Providers of education, business and management training courses and employment services*
484 Security & Alarm Services — *Companies installing, servicing and monitoring alarm systems and those providing security services*
486 Laundries & Cleaners — *Launderers and dry cleaners*
487 Computer Services — *Consultants for Information Technology, producers of software and computer maintenance services*
489 Print Services — *Printers*

■ SECTOR 49 Transport
490 Transport — *Shippers, docks, road hauliers, railway operators, airlines, airports and other services to transport*

■ SECTOR 51 Other Service & Businesses
512 Pollution Control — *Providers of solid and hazardous waste management services*
514 Rubber Plantations — *Owners of rubber plantations*
516 Other Businesses — *Other businesses not specified elsewhere*

60 UTILITIES

■ SECTORS 62 Electricity
620 Electricity — *Generators and distributors of electricity*

■ SECTOR 64 Gas Distribution
640 Gas Distribution — *Distributors of natural and manufactured gas*

■ SECTOR 66 Telephone
660 Telephone Systems — *Operators of telephone networks*

■ SECTOR 68 Water
680 Water — *Companies and Authorities responsible for the provision of water and the removal of sewage*

70 FINANCIALS

■ SECTOR 71 Banks
710 Banks — *Banks authorised under the Banking Act*

■ SECTOR 73 Insurance, Composite
730 Insurance, Composite — *Companies engaging in accident, fire, marine and other classes of insurance business*

■ SECTOR 74 Insurance, Life
740 Insurance, Life — *Companies engaging principally in life assurance business*

■ SECTOR 75 Merchant Banks
750 Merchant Banks — *Members of the British Merchant Banks and Securities Houses Association*

■ SECTOR 77 Other Financial
772 Financial, Other — *Financial holding companies and companies engaged in financial activities not specified elsewhere*
774 Discount Houses — *Members of the London Discount Houses Association*
776 Insurance Brokers — *Insurance and life assurance agencies*
778 Investment Companies — *Investment companies registered in the UK, denominated in sterling, but not approved under S.842 of the Income and Corporation Taxes Act 1988*

■ SECTOR 79 Property
792 Property — *Companies specialising in the ownership and/or development of property assets*
794 Property Agencies — *Estate agents, surveyors, architects and space planners*

80 INVESTMENT TRUSTS

■ SECTOR 80 Investment Trusts
800 Investment Trusts — *Trusts registered in the UK whose accounts are denominated in sterling and approved under S.842 of the Income and Corporation Taxes Act 1988 (as defined under the ...) ... Act*

(90) Industry sectors not eligible for inclusion in the FT-SE Actuaries Share Indices are as follows:
905 Off-Shore Investment Companies & Funds — *Investment Companies & Funds not approved under S.842 of the Income and Corporation Taxes Act 1988, and either registered outside the United Kingdom or denominated, accounting or quoted in a foreign currency*
906 Other S.842 Investment Trusts — *Investment Trusts, approved under S.842 of the Income and Corporation Taxes Act 1988 or stating the intention to seek approval in a prospectus or other document issued by the board of directors, but either registered outside the United Kingdom or denominated, accounting or quoted in a foreign currency*
907 Currency Funds — *Currency Funds*